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# ***Daily Report***

## ***Supplement***

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# **East Europe**

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# East Europe SUPPLEMENT

JPRS-EER-93-008-S

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**\* Future Location of CSCE Secretariat Viewed**

93CH0291A Prague RESPEKT in Czech No 52  
28 Dec 92-3 Jan 93 p 5

[Article by Lubos Palata: "Prague or Vienna? Uncertain Future of the CSCE Secretariat"]

[Text] One of the few important international institutions whose headquarters are situated in the capital of the new Czech State is the Secretariat of the Conference on Security and Cooperation in Europe (CSCE). However, rumors in diplomatic circles allege that it might be moved from Prague to Vienna.

**Austrian Offer**

In 1990, the CSCE summit in Paris decided to locate the headquarters of the Secretariat in Prague. Its office is in Thun Street in the Mala Strana district; there are 20 employees. Its political sector is composed of diplomats from Switzerland, Sweden, Czechoslovakia, and Finland, whose countries were chosen by lot. According to Ivan Majercin, the CSCE's section chief at the Federal Ministry of Foreign Affairs, Czechoslovakia provides the premises in the Thun Palace free of charge and pays annually about 1 million korunas [Kcs] to its owner, to whom the building has been returned. However, the lease will expire by the end of 1993. The Toskan or Salma Palaces are currently under consideration as prospective headquarters.

Nevertheless, Austria, which has been trying for some time to get the Secretariat transferred to Vienna, has offered the Hofburg Castle for its operations. (Its proposal has not changed, even after the recent fire in one of the wings of the former imperial residence.) Unlike Prague, the Austrian capital city is an important center of diplomacy and congresses, and its infrastructure is excellent. Vienna already houses one of the CSCE's main institutions—the Center for the Prevention of Conflicts. Another agency, the Bureau for Democratic Institutions, resides in Warsaw. However, the most influential sector is the CSCE Committee of High Commissioners, whose meetings are held in the headquarters of the Secretariat in Prague. Moreover, at its session in Stockholm in mid-December, the CSCE established the office of the general secretary of the Conference and announced a plan to concentrate all CSCE centers in one location.

**Money Is Not Enough**

One of the leading representatives at the CSCE's Secretariat in Prague, Swiss diplomat Claude Altermatt, categorically rejects any speculations about the possibility that the Secretariat may be relocated. He noted: "Final documents from the Stockholm session of the CSCE's foreign ministers do not directly indicate any such thing. I personally am quite satisfied with the opportunities Czechoslovakia offers for our work. We have good cooperation with your Foreign Ministry in organizing our operations. The only problem is the poor quality of telephone connections." Of course, as compared with

Vienna, Prague has another disadvantage in addition to the telephones. Diplomatically speaking, the Czech side is not exactly holding its breath to keep the CSCE headquarters in Prague.

Although Josef Zieleniec, minister of international relations of the Czech Republic, said recently to CSCE ambassadors that "the Czech Republic is interested in having the Secretariat stay in Prague," new diplomacy at the same time opened a spot among the "Ruling Three" to one of the CSCE's key agencies—to Slovak diplomacy. The ministry's spokeswoman, Lucie Pilipova, explained that in two years the Czech state will compete for one of the temporary memberships at the UN Security Council. However, it is also true that the criticism of our activities in the CSCE and of Zieleniec's Civic Democratic Party is one of the main arguments against Minister Dienstbier. And that is a matter that in diplomacy is not easily forgotten.

Upon his return from Stockholm, Sasa Vondra, Czech deputy minister for international relations, stated that the Czech state will provide "financial support" for the CSCE Secretariat "in the manner customary for the CSCE." Naturally, it is a moot question whether it will be able to afford to do so. In less than a year, the foreign ministers of member countries will meet in Rome and decide where the headquarters of the Secretariat should be located.

**\* Problems With Election of Presidents Revealed**

93CH0301A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 16 Jan 93 p 10

[Article by Berthold Kohler: "The Hero of Independence Is Losing His Brilliance—Power-Political Maneuvering Around Havel in Prague, With an Eye to the Presidential Elections"]

[Text] The Slovaks have a date, but as yet they have no real candidates. The Czechs basically have a candidate, but they have not yet set a date. The task of electing a president is not an easy one for either of the two republics that recently achieved their independence. According to Slovak Prime Minister Meciar, searches conducted throughout Slovakia and abroad have been unsuccessful in locating an independent individual with the stature and the desire to occupy the presidency—and this is how he justifies his apparent intention to promote a member of his "Movement for a Democratic Slovakia" (HZDS) as the future head of state. In the end Cardinal Jozef Tomko refused such an offer. The Czechs, on the other hand, have a man with the desired qualities on hand, but they are affording themselves the luxury of watching him dangle in the light for a little while longer. Vaclav Havel, until now the "natural" candidate for the office, as it were, has been drawn into the pushing and shoving of power-political maneuvering.

As late as the end of last year, hardly anyone doubted that Havel would soon move back to the Prague Castle, which he had left in June as the first and last president of

the "Czech and Slovak Federated Republic." Although polls taken in November were already indicating a decrease in his up to then very high popularity, Prime Minister Klaus's governing coalition acted as though they could not imagine anyone but Havel occupying the highest public office. Klaus included the private citizen and dramatist in negotiations over the new constitution, particularly concerning the future role of the president.

Havel, an independent, was not able to push through his ideas of a strong, preferably directly elected, head of state, who would serve as a mediator and protector of the constitution between Parliament and the executive branch. Many of his old companions could not comprehend why, in spite of this, on the eve of the third anniversary of the "velvet revolution," which he had led, he declared himself open to candidacy. They felt that Havel had, for the first time in his life, abandoned his principles. They claimed he had "sold" himself to Klaus to return to the Castle.

In any case, with his early declaration of an intention to run, Havel has surrendered himself to the scheming and plotting of his political rivals and those who envy him—and they are present within the governing coalition as well. The four-party alliance has still not decided to officially nominate Havel as their candidate, contrary to many reports. The government has left it up to the Social Democratic opposition to be the first to choose the poet as their leader. Social Democratic member Blaha has said that there is no more suitable candidate in sight, but not without referring to the fact that Havel's earlier apology for the expulsion of the Sudeten Germans has still not been accepted.

Why is the government suddenly having such difficulty with a candidate from whom even the opposition has something to gain? There is a faction within Prime Minister Klaus's "Civic Democratic Party" (ODS) that considers Havel to be basically a leftist in disguise, and for that reason they do not trust him an inch. Publicly, party leader Klaus remains firmly behind Havel. However, the fact that the last Czechoslovak prime minister, Strasky, one of Klaus's most reliable henchmen, was able to announce with impunity that he was interested in running himself suggests a dual strategy. Number two in charge of the ODS, Cermak, expressed an opinion which until then had been considered a sacrilege: "Surely Strasky would be no worse a president than Havel."

On the other hand, this hardly represents a complete abandonment of Havel. The left opposition, whose votes are essential in electing the president, will not allow another ODS member to occupy the highest public

office. Klaus, as an economist, is aware of the fact that a Czech president named Havel represents a solid monetary advantage in the country's foreign relations—particularly in terms of its competition for prestige with Slovakia, which has no internationally known personages to speak of. The power politician in Klaus, however, wants to call the Czech shots, at home as well as abroad, and for that reason he does not want the president to be allotted too much power in the still negotiable structure of the constitution. Electing Havel, but weakening him prior to the elections—this appears to be the ODS's plan. It is otherwise difficult to explain why Klaus has afforded both his coalition and the opposition weeks of conjecturing and playing around, which could only serve to harm the defenseless Havel.

The fact that although two of the coalition partners—the Christian and Democratic Union-Czechoslovak People's Party (KDU-CSL) and the Christian Democratic Party (KDS)—are not completely satisfied with Havel but have no better candidate in mind plays right into the hands of the largest governing party. While the People's Party remains somewhat at odds with Havel due to his role in the affair surrounding their former chairman, Bartoncik, KDS Chairman Benda is making use of this issue to push through the idea of filling the still empty Senate with former members of the dissolved Federal Assembly. According to Benda, without a complete Parliament an imbalance could develop between the president and the Chamber of Delegates during a crisis. Said former dissident Benda, it is not that Vaclav Havel cannot be trusted, but one would not want "such a situation" to fall "into the hands of a few former Communists." Havel's former and prospective advisors, the "Castle," continue to be regarded with suspicion.

Havel's strongest support comes from the fourth in the coalition alliance, the "Civic Democratic Alliance" (ODA). This party, however, is vehemently opposed to the nepotism proposed by the ODS and the KDS in filling the Senate. Since each of the four parties is backing a different viewpoint in the argument over the restitution of the extensive properties of the Catholic Church, a "package deal" seems likely. The ODA, unnerved by this back-and-forth business, plans to nominate Havel this coming Monday. The whole coalition will probably follow, and will declare their support for Havel. In any case, he has already been damaged enough, by others and by himself. In the most recent poll regarding whom the country wants as its head of state, only 45 percent of Czechs polled chose the former president, which is only half as many as during the height of his popularity. Klaus and Strasky, however, received only 3 and 2 percent respectively—which should give them something to think about, too.

**Kosovo Historian's Open Letter to Berisha**

93P20096A Tirana ZERI I POPULLIT in Albanian  
17 Jan 93 pp 1-2

[Open letter from Rexhep Qosja to the President of Albania Sali Berisha: "Open Letter From Kosovo Intellectual Rexhep Qosja to the President of Albania, Sali Berisha"]

[Text] Mr. President,

The Pristina newspaper BUJKU, of 19 December 1992, published the interview you gave to Albanian TV after you returned from your visit to NATO headquarters in Brussels. When I read it, I asked myself: Is this possible? Is it possible that the president of Albania could make such statements as the present president of Albania, Sali Berisha, supposedly has made? I did not want to believe my eyes when I read what I read. I thought that, perhaps, your statements had been rendered too freely in BUJKU. I waited for your cabinet to issue a denial of them. But instead of a denial—which I was waiting to receive before sending this letter—I learned from the Albanian press that you had said that what BUJKU had published was true.

In my opinion, what you said is something that you should not have said in your position as president of Albania.

1. At NATO headquarters in Brussels, in the presence of Manfred Woerner, NATO secretary general, you said that "ideas about a greater Albania are ideas that are absolutely not supported by Albanian political forces and circles!" A mistake or a slip of the tongue. A political mistake or a moral defect? This is the most unallowable, most tragic, and most condemnable thing that the president of Albania could say. You should know that the idea of a greater Albania is a product of the greater Serbia propaganda kitchen from the time of the Balkan wars when Serbia set boundaries for Albanians wherever it desired. It is the idea by means of which Serbian chauvinism has been organizing campaigns against Albanian patriots for 80 years! It is a concept with a serious anti-Albanian political and diplomatic charge, a phantom concept, by means of which the politics and diplomacy of Pasic and of King Peter and King Alexander and of Serbian communists, up to and including Cosic and Milosevic, have been suppressing the rights of Albanians in the former Yugoslavia and fighting against the national policy of Albania in the world, in international forums and institutions. This is the concept which the greater Serbia policy uses for the purpose of reducing the living space of the Albanian people and, with the use of this concept, it has been able to half this space. This, finally, is the idea most frequently employed by Serbian, Macedonian, and Montenegrin police in prosecuting, persecuting, imprisoning, and killing Albanian youth for 80 years.

Is it possible that he does not know that the concept of a greater Albania does not exist in Albanian politics,

journalism, and science because the Albanian people have never been occupiers and have never tried to occupy the land of other people because the Albanian people have always been obliged to move from their own lands? That is, there is no greater Albania for Albanian journalism because greater Albania has never existed. However, you have christened ethnic Albania greater Albania. There is no political theory, created in the region of Europe, stating that the concept of a state composed of territories which have ethnic unity, such as the territories which Serbian propaganda calls greater Albania, should be called a greater state concept. Albania with Kosovo, in which more than 90 percent of the population is Albanian, cannot be called greater Albania. Albania with the Albanian regions outside its geographic boundaries, which have geographic continuity with Albania and in which Albanians are currently the only population or are in the great majority, cannot be called greater Albania. That, Mr. President, has been called ethnic Albania by Albanian patriots from Abdyl Frasheri to the present. That, Mr. President, has been called natural Albania, true Albania, Albania as it should be—by Albanian patriots from the League of Prizren to the present. We do not dare to call ethnic Albania greater Albania because of the symmetry with Serbia and with greater Macedonia. You should know that Serbia with Kosovo is called greater Serbia, although 90 percent of the population of Serbia is Albanian. You should know that Macedonia with western Macedonia is called greater Macedonia, although the majority of the population in Western Macedonia is Albanian.

You not only have made an unallowable mistake in calling ethnic Albania greater Albania but you have also disparaged all those Albanians who do not make the same mistake. By stating that, in our country, there are no "serious Albanian political forces and circles" which support the idea of a "greater Albania," which means that we do not agree that Kosovo should be called Serbian Kosovo, you have disparaged the dead and the living. You also have disparaged all those Albanian youth, all those Albanian journalists and historians, all those Albanian writers and scholars who have taken on the world or who have rotted in Serbian, Macedonian, and Montenegrin prisons for proclaiming the hostile idea of an ethnic Albania or even a republic for Kosovo. And, finally, you have disparaged intellectual circles and political forces, which are much larger than you think, which, under no conditions, would agree to give the name greater Albania to the ethnic Albanian regions which are currently under the sovereignty of their Slavic neighbors! You must know that the concept of greater Albania is suicide for Albanian national policy. This is not strange because they have taken care to remove Albanian communist politicians in the former Yugoslavia. If they have been obliged to utilize such people, especially after 1981, they have taken care to find laborers among the intellectuals whom they could use in their place.

2. At NATO headquarters in Brussels, you said that "Albania has not sought, is not seeking, and will not seek

a change in existing borders." Naturally, "it cannot tolerate ethnic cleansing of Albanians from their home regions." On first reading, this statement is politically understandable and reasonable. Albania is a member of the United Nations and the CSCE and must conform to international norms in its political positions. However, you are not satisfied only with making a statement as the current president of Albania. You give yourself the right to speak in the name of history and in the name of the future. When one speaks in the name of history, one makes a scientific mistake and when one speaks in the name of the future, one makes an ethical mistake. You say that Albania has not sought a change in existing borders, although this is not true. Fortunately, at decisive moments in history, Albania has not been satisfied with existing borders and has taken care to remind international bodies that these borders are unjust because they are borders that cut Albanian lands in half and because they are borders that cut the Albanian people in half since they are borders that pass through the Albanian heart! Those who know the history of the Albanian people, especially the political and diplomatic history of the Albanian state, know when, where, and how Albania expressed its dissatisfaction with these borders. The president of a country does not have to know many things but he should have a good knowledge of the history of his people and his state. Those who know the history of the Albanian state well know that, on several occasions, after 1912, Albanian governments have tried to change the borders which had been set for Albania. Those who know the history of Albania well know that, during World War II, Albania changed its borders because Albanian governments sought to change them at that time.

The right that, in this statement, you took away from past generations—the right to be dissatisfied with existing borders—you did not hesitate to take away from future generations, too. It did not enter your mind that we, although we work for future generations, do not have the moral right to speak in their name. We do not have the right, today, to set boundaries for their thoughts, behavior, and activity. Politicians can have a mandate from contemporaries but not from those who are no longer alive and those who are not yet alive. Only communist ideology gave itself the right to misuse history, to defile reality, and to usurp the future and, therefore, it ended up the way it had to end up. In contrast to you, who proclaim that the current borders between Albania and Serbia are inviolable, I believe that the issue of Kosovo, before the creation of the second Albanian state, will be resolved by changing the boundaries between Albania and Serbia and Yugoslavia, respectively, that is, by the union of Kosovo with Albania.

Since you came out so decisively against the idea of an ethnic Albania, by annihilating it with the concept of a greater Albania, and since you came out so decisively against any past, present, or future (!) idea on the forcible changing of borders between Albanians and their neighbors, while denying them the understanding of our

history, the promise that Albania "cannot tolerate the ethnic cleansing of Albanians from their lands" has a completely rhetorical ring. Unfortunately, Albania and Albanian political forces outside Albania are tolerating the ethnic cleansing of Albanians from their lands in the former Yugoslavia. People who go to Switzerland, Germany, Austria, Sweden, Norway, England, and Turkey today must be convinced that Albanians are still and increasingly leaving their lands in Kosovo, Macedonia, and Montenegro. Serbia is not yet carrying out ethnic cleansing in Kosovo with guns, tanks, airplanes, and rockets, but Serbia is carrying out the ethnic cleansing of Albanians from Kosovo with other diabolical methods, with systematic, state-sponsored violence, with the violation of basic human rights, with brutal discrimination in the social, economic, health, education, and cultural fields, with the plundering of resources, with persecutions and killings of Albanians! In Kosovo, it is true that we have organized "free and democratic elections," we have elected deputies, parliaments, and presidents, we have assigned roles, we have named ministers, ambassadors, and secretaries who live under Serbian occupation in Kosovo, but Serbia continues the cleansing of Albanians from Kosovo and the recolonizing and Serbianization of Kosovo. It is building political churches with Pharaoh-like dimensions in the University Center in Pristina; it is also building other political churches throughout Kosovo; it is taking Albanians out of their homes and putting Serbs in them; it is organizing trials of Albanian children and is condemning them to many years in prison, on the charge that they dared to fight for the proclamation of the Republic of Kosovo and for unity with Albania! The authorities in Serbia are more and more frequently heard telling foreign delegations that Kosovo is 80 percent Albanian, not 90 percent! Could the day come when the Serbian authorities might be heard telling the Europeans who come to examine the human rights situation in Kosovo that the region is about 50-percent Albanian?

3. At NATO headquarters you also said that "for Albanians, no matter where they are, the development of democracy, the respecting of their ethnic human rights and freedoms are of decisive importance!" Fine, indeed! This means that for about 3 million Albanians—those who live today in their ethnic homelands in Kosovo, Macedonia, Montenegro, Preshevo, Bujanoc, and Medvedje—the development of democracy and the recognition of their human rights and freedoms under foreign sovereignty are of decisive importance! This means that for about 3 million Albanians—those who live today in their ethnic homelands in the former Yugoslavia—it is of decisive importance that the following be recognized: their right to be born and to die, to get married and to get divorced; to have homes (which the Serbian police can force their way into with automatic weapons whenever they want to); to move out whenever they want; to be taught in their mother tongue, but in accordance with the schedules permitted to them by the bearers of the sovereignty! This means that we must abandon our efforts to create our own state, that is,

our efforts to achieve national unity! This means that we should give up our idea of Kosovo as a sovereign and independent state with international status and proclaim the Referendum Declaration nonexistent! Because, the democracy which Serbia and Macedonia, let us say, are establishing for us solves all our political problems and fulfills all our historic aims!

Today, you are proposing this for us since, yesterday, you eliminated national unity from the Democratic Party Program, while you proposed recognition of the Republic of Kosovo. This is incredible! When you said this, of course, you did not have in mind the situation of northern Ireland, Corsica, and the Basque lands, where the ethnic issue presents itself in the harshest revolutionary terms, proving that it is an illusion to believe that the ethnic issue in democratic systems is resolved by instruments for the protection of human rights and freedoms. There is no doubt that the struggle for democracy is of interest to Albanians wherever they live; but there is also no doubt that the struggle for democracy and independence are currently of great Albanian national interest. Since we are occupied, democracy cannot help us much. Without being liberated, without deciding our own fate, without having state sovereignty, we cannot develop and we cannot be people with a secure existence or a happy people. Without having our right to self-determination recognized and without being sovereign, we cannot be, at any time, people with a secure existence or a happy people. Without having our right to self-determination recognized and without being sovereign, what is happening to the Bosnians could happen to us; they could put out our eyes, they could put knives at our throats; they could shoot us; they could burn our houses and fill our graves!

Mr. President,

Before you went to NATO headquarters in Brussels to make the aforementioned statements you should have cast a glance at the Balkans. Certainly, you would have seen that there is a political situation there which, I believe, would have prevented you from making the statements which you made. You would have seen that the political and state restructuring of the Balkans is dramatically coming to an end; people who, up until now, had not had national states because they were lost in the Yugoslav imperial federation—Slovenes, Croats, Macedonians, and Bosnians—are carrying out this restructuring. You would have seen what efforts these peoples have made and are making to establish the right to self-determination, to become sovereign. You would be convinced that the Slav neighbors would like this political and state restructuring of the Balkans to conclude to the detriment of the Albanians—like in other days! If we are not in a position to do what is legitimate to save ourselves and if the promises of international factors are still political bluffs, there is at least one thing which we must do: We must not give away our lands with our tongue! We must not deny what exists as a solution for us: national unity. That which belongs to us is taken from us; but we will not give up our spirit! But you did

this in Brussels before the representatives of NATO in December and we did this at the International Conference on Yugoslavia in London, in August 1992!

What do we want and what can we expect?

When you stated this and, later, when, at the Tirana press conference, you called this idea of national unity "romantic"; that is, the unattainable objectives of those who think differently, since they do not accept the idea that Albania combined with Kosovo should not be called greater Albania but natural Albania. Of course, you have forgotten many things which you should not forget.

You have forgotten that a people can be occupied but not subjugated, when it has the goal of liberation; that a people can be fragmented but it is not spiritually disintegrated and morally defeated when it has the ideal of unity.

You have forgotten that the duty of each government, as long as the nation and state exist, is the protection and promotion of national interests, while the protection and promotion of the national interests of Albania do not end at its borders because half of the Albanian lands and of the Albanian people are outside the country's borders.

You have forgotten that the Balkans cannot become a place of justice, humanism, and peace if its most important issue—the Albanian issue—is not solved properly and permanently. For this reason, the historic Albanian national interest seems to be achievable.

You have forgotten that with statements such as those which you made in your capacity as president of Albania, at NATO headquarters, you are obstructing the achievement of the Albanian national ideal.

You have forgotten that by calling ethnic Albania greater Albania you are denying the geopolitical functioning of Albania in international politics.

You have forgotten that it is not the size of the population which makes a people great but its history, culture, and knowledge of the laws and their role—the great idea. With the statement which you gave in Brussels you underestimated the majesty of our history because you rejected our ideal. Fortunately, we will not determine the mass of our history by our statements, but the People will determine it by its will. Sincerely,  
Rexhep Qosja

Pristina, 25 December 1992

### Second Open Letter From Qosja to Berisha

93P20095A *Lezhe KOHA JONE in Albanian* 3 Feb 93  
pp 3-5

[Second open letter from Rexhep Qosja to the President of Albania Sali Berisha: "Only Anticommunist Communists Are Worse Than Communists"]

[Text] Mr. President,



You responded to my letter just like a president who does not dare to respond to the citizens of Albania and to other fellow ethnics wherever they live; like politicians who do not respond to their critics and to their regimes anywhere—not even in countries which were communist dictatorships until yesterday. Your response is sad because, in light of its meaning and advice, it is a response without political responsibility.

1. On Albanian radio-television, you responded through a spokesman, from the cabinet, whose name was not given. That's all right. In the Democratic Party newspaper, RILINDJA DEMOKRATIKE, which bears the name which I gave it, you responded to me by means of another spokesman, also unnamed, who is your adviser. This is unallowable! In RILINDJA DEMOKRATIKE, you responded to me by means of a third spokesman, a "boyar" [pun on the name of the author of the response, Bujar (translation: boyar) Hoxha], who is ready today, like yesterday, to play the role of a wild hyena in political and intellectual life. Politicians do not view politics from any moral standard; usually, they distance themselves from their compromising defenders. You are not distanced, because you, yourself, have done wrong! Thus, you have continued the ill-fated practice of the political and moral liquidation of those who think differently and, at the same time, you have debased the experience of history, so this experience has taught intelligent politicians to be more circumspect. You have forgotten that you are a president with a five-year political mandate, which, as a political mandate, is temporary, while my mandate, as a spiritual and cultural mandate given by the Albanian people, is eternal. You have forgotten that, behind you, there is only one party and about two or three years of populist and democratic political activity, while behind me there are about 25 years of activity as a person with continuing democratic activity and 21 literary, scientific, and journalistic works which have been published, which will increase, and others which have not yet been published. The overwhelming majority of these works will live in our culture as long as the Albanian language lives and as long as the Albanian people speak this language—that is, forever.

2. In your response you accuse me of omitting words or sentences from your statements at NATO headquarters in Brussels dealing with Kosovo, in particular, those on the Albanian issue, depriving them of their meaning in the paragraph! No. I presented your statements just as you gave them: from point to point. They are truncated statements, presented plainly, without any political and diplomatic coloring. They are statements that have only one meaning. I invite the readers to listen to them and to think about them once again:

a. "Ideas about a greater Albania are ideas that are absolutely not supported by serious Albanian political forces and circles"!

b. "Albania has not sought, is not seeking, and will not seek any change in existing borders; naturally, it cannot tolerate the ethnic cleansing of Albanians from their home regions"!

c. "Of decisive importance for Albanians during this period is the development of democracy and respect for their human and ethnic rights and freedoms, wherever they live"!

These three sentences are the programmatic sentences of your presentation at NATO headquarters in Brussels. The second sentence also reverberates as the pledge-sentence! They do not have any other meaning, either as a whole or separately, besides the meaning which you gave them independent of the paragraphs in which they are used. In your reply, you corrected only the second sentence which is significantly blended into the first and the third: You removed the phrase "has not sought and will not seek" and added the very necessary words "by force," which also appears in the documents of the Helsinki conference. I do not think it is necessary for me to explain, once again, these three programmatic statements on the Albanian issue. Also, I do not think that it is necessary for me to deal, once again, with the results which might occur if our national policy for the resolution of the issue were to be based on these statements. We are not saying that you believe these statements but this cannot be a reason for weakening any criticism of them. These are the views presented by the president of Albania; and, they are the views presented at headquarters of NATO, that is, in the institution which is the military instrument of the new world order which is being created.

Those who are present at your political presentations, since you are on the political stage, do not have any difficulty in seeing that you have not taken any stand for the solution of the Kosovo problem and of the Albanian problem, in general. To state it more clearly: Your positions on the Albanian issue are very! very! very! unstable! You say one thing at one time and another thing at another time; in international institutions and forums, you say one thing, while in interviews you give to Albanian and foreign journalists, you change what you have said before. During recent months, your views on the Albanian issue, and just your views on the issue of Kosovo, have been deteriorating to the most undesirable option: to the option in which the Albanian issue would be considered to be a question of human rights and freedoms! There is no doubt that all those who have spent many years in prison because of this issue, all those who have been writing about it for a long time before you began to be concerned about it, know that this is a complex and very difficult issue.

Of course, its solution depends not only on our demands but also on international factors and on our Balkan neighbors, individually and as a whole. If we adopt the program you presented at NATO headquarters in Brussels as our program of national goals, we cannot achieve any more than human rights where we are now! We will

continue to be residents, rather than a people! You have forgotten that the person who has a goal also has an opportunity and vice versa: The person who does not have a goal never has an opportunity. It is presented as you presented it in the third sentence of the aforementioned text—that the issue of Kosovo is a question of human rights and freedoms and, in general, the Albanian issue is dependent on the mercy of the neighbors. And, what is more, it is presented just as you presented it in Brussels, that the Albanian issue should be considered a closed issue! For this reason, and for no other reason, I call this platform erroneous and damaging at present and in the light of history.

By presenting the above views in Brussels, you, apparently, have wanted to prepare for the removal of the party leaders in Kosovo! You have easily agreed, on behalf of the others, to play a tragic, mistaken role.

3. Your response is not a political response but a denunciation that the history of literature or the history of Albanian political thought will not forget. With this accusation you have given Serbia an argument that it has dearly wished for, an argument it can use to justify its terror over the Albanians of Kosovo. Therefore, it is not strange that Radio and Television and the Belgrade newspapers received your response with such enthusiasm and disseminated it so extensively while assaulting me with a barrage of new accusations calling me an ideologue of "radicalism" and "terrorism," and an advocate of a bellicose solution to the Kosovo problem. Knowing how much Serbia needed such an argument, I wrote a few years ago: "In Kosovo there is no terrorism by Albanians because the Albanian people are aware of how much damage terrorism would do to their just and legitimate demands but, in Kosovo, there is terrorism which Serbia exerts against the Albanians. In Kosovo, there is no terrorism by Albanians, but, in Serbia, horrible attempts are being made to convince world opinion that there is" (Rexhep Qosja, "Populli i ndaluar [The Banned People]", Pristina, page 370). Then why do they accuse me of being an ideologue of terrorism? Because such an accusation goes far and becomes official when it is put in a naive "bilateral" report of a state nature, which was issued by your cabinet on 23 January, in which the surrender of Kosovo is agreed to, without losing a battle! Why? After your denunciation, Serbia will have an easier time liquidating Rexhep Qosja as an ideologue of Albanian terrorism by thinking: Is he also called an ideologue of terrorism by the mother state? By the mother state—no, but by you—yes! Have you thought that, after your denunciation, Serbia would have an easier time killing our children on the streets of Kosovo, assuring them of having committed or having wanted to commit terrorist acts!

In order to give yourself an opportunity to denounce an ideologue of Albanian terrorism, you falsified my sentence on "the case of northern Ireland, Corsica, and the Basque lands, where the ethnic issue is played out in the harshest revolutionary forms, proves that it is an illusion to believe that the ethnic issue in democratic systems is

resolved by means of instruments for the protection of human rights and freedoms." This sentence—which states that the Irish, Basque, and Corsican liberation movements think that their problem can be solved by force, that is, by revolutionary means, and not evolutive means—is proof of the fact that, even in democratic countries, the ethnic problem cannot be resolved by means of instruments of human rights and freedoms but by giving the right to national and state self-determination which these movements demand. This sentence has been sufficient for you to build your denunciation on: "In no way can the problem of Kosovo be solved by means of acts of terrorism, as the author suggests, mentioning so-called revolutionary movements which carry on terrorist activity based on Marxist-Leninist platforms in different parts of Europe"! Any honest reader can see that I brought up those movements not to preach terrorism in Kosovo but to say openly and firmly what everyone knows: the issue of Kosovo and the Albanian issue, in general, can be resolved only by recognizing the right of the Albanian people to national, that is, state, self-determination—since political activists think that they should not intermingle the freedom of people and their personal career—and not by accepting human and national rights and freedoms "where they are," like you think. Not only do you falsify my opinion but you also invent something which I do not believe and something which, in no way, can be derived from my text. You clothe the liberation movements in question in Marxist-Leninist platforms! Why? Because you have not learned anything more about these movements! Why do you call them Marxist-Leninist when it is known that the Irish and Corsican movements have never had Marxist-Leninist platforms, while the Basque movement rid itself some time ago of the few Marxist-Leninist tinges in its liberation platform? Why didn't you advise your "boyar" advisers—former professors of Leninism-Stalinism and specialists in Red Terror in Albanian intellectual and political life—in regard to this matter? Why, Mr. President, do you need to give an accounting to the dead; to an ideology and policy which are buried on the European continent? So that you can manipulate Albanian opinion more easily? So that you can compensate with democratic rhetoric for the lack of truly democratic content in the lives of the Albanian people? Or for any other reason? To those who know who's who on the current Albanian political scene it is very clear: You are involved in a constant struggle with the dead because, with reason, you feel the need to distance yourself from your past, as much as possible. You forget: We cannot change the past. In your efforts to change your personal political biography, you are trying to be a comrade as much as possible! Wrong! With the falsifications which you are making of my statements you could not have me on your side, not only yesterday but, if you continue as you have begun, our paths will not meet today or tomorrow either. I do not approve of political commissars making speeches on democracy. When you were engaged in specialized medical studies abroad, undoubtedly privileged and trusted by the Stalinist-Leninist regime, I was waging a battle, in theory and

practice, against Leninist aesthetics and ideology. When you were secretary of the Workers Party grassroots organization in the Faculty of Medicine, in Tirana, I was waging an intellectual and political battle against Serbian, Macedonian, and Montenegrin chauvinism, against the oppressive policy of the League of Communists of Yugoslavia against the Albanian people. When you, in your work and behavior, were contributing to the preservation of the tyrannical regime in Tirana, while your colleagues here were carrying out the process of political differentiation in the collectives in which they worked, thereby increasing the suffering of their fellow intellectuals, I, by refusing to differentiate as the regime demanded, by criticizing intellectual passivity, by constantly opposing political and police violence, and by means of my journalistic work, have expanded the areas of democratic opinion and behavior in the spirit of the Albanian readers and I have prepared for the future which is bound to come. Our delayed countercommunism has an obvious Bolshevik appearance. Vaclav Havel did not say, without reason, that "only anticommunist communists are worse than communists!" No doubt about it: By disowning yesterday's Bolshevik personnel so harshly you show your nondemocratic moral structure. Unfortunately, there is very little actual evidence to prove your assertion.

4. Your response, without the responses of your advisers written according to the Vishinsky method, clearly shows that you are continuing the 45-year state practice of not tolerating critical opinion. Not tolerating critical opinion means not tolerating freedom. You are continuing to behave like all dogmatists behave: not admitting your mistakes and attempting to liquidate, both politically and morally, those who point out your mistakes. This is a futile activity! To say the least, recently you have shown many signs of political authoritarianism. If democracy is world understanding; if democracy is tolerance; if democracy is consideration for another; if democracy is protection of the individual from violence on the part of the government, then your democracy is only propaganda. You work as a protagonist of force more often than as a protagonist of dialogue, understanding, and reconciliation. Now I can see clearly why you did not want to support the initiative of national unity and reconciliation. Reconciliation is a highly moral and democratic act. Where there is no opposition, forgiveness, and reconciliation, the suffering is great. Where there is no reconciliation, there is revenge and, as others have stressed before me, revenge is a new crime but a greater one. We have recently become reconciled with the Italians; we have recently become reconciled with the Germans; we have become reconciled with the Russians; on the basis of the interview which you gave on Belgrade TV in 1992 and which was published in BORBA, you have also extended the hand of reconciliation to Serbia. But we refuse to become reconciled. You, yourself, have been in the forefront of this refusal.

You do not want reconciliation because you want to control and to subjugate others! This is not surprising because this head of state often does things which should be done only by the government or the Ministry of Foreign Affairs; because this president is retiring young military officers ahead of time while the state and the nation are faced with the danger of a Balkan war; because Albania continues to be a party state—a state in which the state structures are completely integrated with the party structure; because Albanian television is completely controlled and even usurped by you and by the controlling party; because certain human rights and freedoms are violated in various areas of life in Albania; because the people's fear of the regime is increasing and is more obvious today than it was seven or eight months ago.

Mr. President, for you, the bad things of yesterday continue to be more important than the good things of today. For you, party affiliation is more important than Truth and Justice. You are acting like the chairman of a party heading a state and not like the president of Albania. From all those intellectuals which Albania has, able people, with broad knowledge and culture, with a high sense of responsibility, with a keen knowledge of politics and history, you have surrounded yourself with advisers who are "boyars" who are completely depleted mentally, completely compromised politically, and completely debased morally! By your narrow and harsh partisan behavior, by your readiness for revenge, by your tendency to act before you think, you are putting excessive strain on national life! Such behavior can take a high toll on Albania and on the Albanian people, in general. For a number of reasons, many intellectuals have distanced themselves and are distancing themselves from you. Albania and Albanians do not need only the aid which you will distribute! Albania and Albanians are confronted by unprecedented tests and events. Therefore, Albania and Albanians need reconciliation and not revenge; fraternal understanding and not hatred; a creative outlook which inspires and not a continually retrospective stance which poisons; the mobilization of all intellectual, working, and moral forces of the nation for the spiritual, moral, democratic, and economic rebirth of the country and not their embittered partisan differentiation; openness to the expression of the potential and will of the youth and not unallowable lack of concern for this expression; panethnic recognition and not provincialism; democracy and not authoritarianism. The changes which are so desired and so necessary in national life can be carried out only by those who change themselves because the most important changes are always the changes within the individual. Change yourself while there is still time!

Rexhep Qosja  
Exclusively for KOHA JONE

Pristina, 30 January 1992

**\* Historian Voices Misgivings About CSFR's Split**

93CH0302A Paris LE MONDE in French  
16 Jan 93 p 9

[Article by Karel Bartosek, historian of Czechoslovak origin now living in France and director of LA NOUVELLE ALTERNATIVE: "Czecho-Slovakia: An Anti-democratic Split"]

[Text] A year ago, in the introduction to LA NOUVELLE ALTERNATIVE's Slovakia story, I wrote: "I am taking the risk of forecasting 'the event': The last post-communist federalized (or federated, if you prefer) state born in 1918 will cease to exist." The dispute between Prague and Bratislava, respective capitals of the two nations that comprise Czechoslovakia, appeared to me "impossible to mend." And I mentioned several elements that were working "in favor of the country's breakup."

Now that the prediction has become a reality, I feel rather saddened, at times greatly saddened. Because the breaking up of this country was done without regard for basic democratic rules: The peoples concerned were not given the opportunity to express their will, their choice, through a referendum.

This division into two independent states was not decided by the sovereign people but by the two winners of the June 1992 election: the coalition of the right in the Czech countries (the Civic Democratic Party and Christian-Democratic Party), and the Movement for a Democratic Slovakia.

**Minority Winners**

What is more, these winning parties are in the minority in their respective republics. In the Czech countries, the coalition received 33.63 percent of the votes in the Federal Assembly elections and 29.73 percent in the elections for the Czech National Council, this Republic's Parliament. In Slovakia, the Movement obtained 33.65 percent of the votes for the Federal Assembly and 31.26 percent of the votes for the Slovak National Council.

At no time, moreover, in their electoral platforms, did the two winning parties ever announce their intention to divide the country into two states. In their respective election campaigns, both parties were rather pro-Czechoslovak. The vocabulary used—"functional federation" and "confederation"—matters little here. The voters therefore did not give them a mandate to proceed toward a split.

A few months ago I asked my Slovak friend Lubomir Liptak, a very clear-sighted historian, to write an analysis of this ending of the Czechoslovak Republic. We talked for an entire evening. He felt incapable of writing anything whatever on a matter of such great concern. "How can you understand? How can you know?" he kept insisting. His story amused me (or did it really amuse me?). "One day Mecier (head of the Movement for a

democratic Slovakia and now the Slovak government's prime minister) and Klaus (head of the Civic Democratic Party and now the Czech prime minister) sat in a park, under a tree. All alone, they chatted for three hours, (all of this is authentic; it happened during a meeting between the 'policy delegations' of the two republics), then got up and announced the division of the state to the public. And to this day, I still do not know what kind of a tree that was, whether it was a beech, an oak, or a Canadian maple...."

Lubomir Liptak added: "On 1 January, the Slovak Republic will be born. How? Like a republic 'cast off' from Czechoslovakia by Klaus. In Slovakia, the majority of the people were against the breaking up of Czechoslovakia, and now they do not know what to do...."

**No Euphoria**

I talked with many people in Slovakia. No one expressed any euphoric comments to me. Including those 17- or 18-year-olds, young inexperienced adolescents, girls from modest families, very likable and eager to know the world. Ordinary girls who basically were saying the same thing that the educated historian was saying: They do not understand what is going on. They were against the division of Czechoslovakia and have the impression that these are alien forces, from very distant and higher realms of politics, that act contrary to their wishes.

Nor is euphoria evident on the Czech side. There is rather a feeling of anguish in the face of an event that is hard to imagine. It is an understandable feeling. The Czech state, for example, found it difficult to devise a name for itself, a clear sign of an identity crisis.

On the other hand, another friend, the discerning Czech historian Jan Kran, believes the Czechs' main problem lies in the "national indifference" that, in his view, finds expression in anti-Slovak remarks, very widespread in Bohemia: "Let them go! Good riddance!" Like Lubomir Liptak, he is full of bitter irony and he tells me about the Prague demonstration "in favor of the Czech state," in which about 7,000 persons participated. It took place in Vysehrad, the symbolic hill where the national cemetery is located. The main speaker was Vaclav Klaus, who tried to cast special light on the millennial tradition of the new state. Jan Kran comments: "Klaus has at last founded the Czech state...in a cemetery."

The disintegration of the Czech and Slovak Federal Republic (CSFR) undoubtedly has a multiplicity of causes. I have long felt that Slovak separatism played a less important role in that disintegration than did the conduct of the Czech ultraliberal right, in its hurry to "get rid" of a territory with serious social problems and politically rather hostile toward it. That right was and remains a very skillful manipulator of public opinion.

It remains to be seen what the consequences of this division will be. At the economic level it is going to be expensive. From the political standpoint, the risks are

even greater, because states truly born in an authoritarian manner, with parties in power that treat popular sovereignty with such disdain, are not likely guarantors of a truly democratic evolution.

#### \* Return of Church Property Still Debated

93CH0311A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 22 Jan 93 p 14

[Article by Berthold Kohler: "The Long Shadow of History—The Dispute Over the Return of Church Property in Bohemia and Moravia"]

[Text] Prague, Jan—There are signs of impending disaster in the timberwork of the Czech Government coalition. The three small parties that had willingly slipped under the broad mantle of the Civic Democratic Party (ODS) of Vaclav Klaus, in part prior to and in part after the elections of last June, have since become aware of their significance as creators of a majority. This became apparent during the shifting of scenery surrounding the nomination of Vaclav Havel as the common presidential candidate of the coalition, as well as by the debate surrounding the staffing of the superfluous senate. Open differences of opinion, however, were not brought about until a subject came up that had been awaiting a satisfactory solution since the fall of the communist regime: the restitution of ecclesiastic property that was confiscated by the state after 1948 without compensation.

Whereas returning expropriated property to private individuals as well as nobility proceeded with comparative smoothness following the revolution, the then Czechoslovak state, as well as its Czech legal successor, has always had a difficult time helping the churches regain their rights. The Catholic Church, with a "theoretical" membership of 4 million members and with virtually 1 million attendees at church services, and which is the largest religious community in Bohemia and Moravia, suffers particularly as a result. More than 900 convents had to be evacuated by the various orders and congregations following the communist coup in February 1948 and had until April 1950 to do so. It was not until July 1990 that 78 buildings and estates were returned; and one year later, following lengthy debate in the federal parliament, another 173 parcels of real estate were returned. With the exception of a few buildings owned by the Archdiocese of Olomouc, this restitution law did not apply, however, either to the property owned by the six dioceses or to the extensive landholdings of the monasteries.

This situation is now supposed to be remedied by a proposed law, which was introduced by 23 delegates to the Czech Parliament, led by the deputies of the Christian and Democratic Union—the Czechoslovak People's Party (KDU-CSL) and the small Christian Democratic Party (KDS). The Christian camp in the government coalition wants "everything that was stolen to be returned again." This involves around 202,000 hectares

of forest, meadows, and fields, approximately 1.5 percent of the agricultural and forestry land in Bohemia and Moravia. The property includes farms, breweries, and mills, or rather: what is left of them after the communist mismanagement. As early as March of last year, the Christian parties attempted to push through a similar law in the still existing federal parliament. At that time, they failed because of three missing Slovak votes. But the calculation that passing the law would be simpler in the independent Czech Republic has thus far also not materialized.

It is not only the Communists and Social Democrats who oppose the complete restitution of this property for "social" reasons. The majority of the ODS delegates also only wants to return to the churches that which is "directly" connected with religious affairs—a condition that recalls the formulations of former Communist Party leader Husak in an uncomfortable way, according to the KDU-CSL. A "fundamental" restitution was out of the question, according to Prime Minister Klaus, who spoke of the "Christian traditions as a source of strength in moments of need" as recently as in his New Year's address. The fourth partner in the coalition, the Civic Democratic Alliance (ODA), can come up with many reasons according to which complete restitution is said to be impossible: Such a law would have "unforeseeable" consequences for the state budget, it is an alleged threat to the privatization process, and it would violate the principle that restitution involves only natural individuals rather than legal entities (something that is not quite true). Above all, however, according to ODA chairman Kalvoda, the law would impact mainly upon the Catholic Church.

This latter statement already indicates the deeper reasons why the Czech state is squirming so much when it comes to restituting church property. The dislike for the Catholic Church lives on in the essentially atheistic Czech population, a dislike that is based on the church's close connection with the Hapsburg Monarchy following the defeat of the Czech rebellion against the Catholic League in 1620 at White Mountain. At that time, the property holdings of the Catholic Church in Bohemia and Moravia grew to their greatest volume since the Middle Ages. The economic blood-letting that the church suffered as a result of the first land reform of 1919/20 was, therefore, not only considered beneficial in the "free-of-Rome" period; even today there are many Czechs who feel this way and for whom Rome is "once more too powerful" in Prague. The strict separation of church and state is a demand made even by members of the government coalition.

It is precisely because of the upcoming separation that the church is dependent upon the return of all of its properties is the argument presented by representatives of the Catholic People's Party. Without this property, it is said to lack the economic basis to carry its own weight financially. Thus far, the Catholic Church receives around 200 million korunas [Kcs] (approximately 12 million marks [DM]) to cover the necessary salaries,

religious instruction, administration, and the most urgent renovation projects. Without donations from foreign conferences of bishops and associations of believers, such as the Ackermann Community, the Czech Catholics would have a difficult time because, even with these donations, the resources cover only what is most essential. Just to save the churches and monasteries in Bohemia and Moravia from complete decay, some Kcs35 billion (approximately DM2 billion) would have to be expended over the next 10 years. "We cannot manage that, even given complete restitution," says Father Fialla, the spokesman for the Conference of Bishops. A portion of the profits based on restituted property is intended to be used for self-financing and a portion is to be made available to the Christian church at large.

However, that turns out to be the next turning point of the restitution question: The Protestant churches in Bohemia and Moravia, including the Czechoslovak Hussite Church and the Czech Brethren, regard a comprehensive restitution more with mixed feelings. Without having owned similar extensive landholdings as the Catholic Church did, the Protestant communities were totally impoverished under the communists. Now, the Protestant churches are afraid that if the state is "compelled" this way to bring about complete restitution, which would primarily benefit the Catholic Church, it could halt the financial aid made available to all religious communities.

Thus far, the coalition partners and opponents have agreed only on two points: No restitution for property confiscated prior to the communist seizure of power of 25 February 1948 and only material, but no financial restitution at that. The final decision will show how long the shadow of history still is in Bohemia and Moravia. The church should remain poor, wrote the former Communist Party daily RUDE PRAVO, which continues to come out in large editions. Poverty is fitting for the church, the article said, particularly in a country that celebrates the burning of Master Jan Hus at the stake (by the Council of Constance) with a state holiday.

#### \* Foreign Trade Ministry Successors Discussed

93CH0297C Prague EKONOM in Czech 25-31 Dec 92  
pp 20-21

[Interview with Alexander Karolyi, former federal foreign trade minister, by Libuse Bautzova; place and date not given: "The 'Successors' of the Federal Ministry of Foreign Trade—The Transformation of Foreign Trade"]

[Text] *The most recent amendment of the jurisdictional law, which became effective on 29 October of this year, eliminated the Federal Ministry of Foreign Trade. On the same day, all existing employees of the ministry became employees of the Federal Ministry of Foreign Affairs. This act represented the first step in the complicated transformation of the entire area of foreign trade. After 1 January 1993—in other words, after the division of the CSFR—*

*each republic will, understandably, be responsible for its own foreign trade policy, and neither of the newly established states (at least for the time being) is figuring on creating a specialized ministerial office for this purpose. We spoke with Alexander Karolyi, doctor of jurisprudence, director general of the Section on Foreign Trade of the Federal Ministry of Foreign Affairs, about everything this transformation involves and about the jurisdictions of the institutions to which the activities of the former Federal Ministry of Foreign Trade are being transferred.*

[Bautzova] The Section on Foreign Trade of the Federal Ministry of Foreign Affairs is only a temporary unit, which will go out of business on 31 December 1992. What kind of tasks does it perform?

[Karolyi] The activities of the Section on Foreign Trade of the Federal Ministry of Foreign Affairs can be divided into approximately four fundamental areas, with each being of equal importance and each being immeasurably demanding. The first task of the section, with which we have already come to terms according to the progress chart by 1 December, was the transfer of the jurisdictions of the former Federal Ministry of Foreign Trade to the republic ministries, specifically to the Ministry of Industry and Commerce of the Czech Republic and the Ministry of Economics of the Slovak Republic. The second task is to support all activities in the foreign trade field in which Czechoslovakia is still engaged as a whole through the end of the year with respect to foreign partners as a federation—and there is an entire series at the federal level of such commercial policy cases. A very delicate problem is the transfer of the employees of the former Federal Ministry of Foreign Trade, both those who work at the center and those stationed at 120 commercial sections abroad. And, finally, the fourth task is to divide the property of the Federal Ministry of Foreign Trade.

[Bautzova] Let us begin with the last-named task. What all is involved in the property of the former Federal Ministry of Foreign Trade?

[Karolyi] This property is relatively great in value, but, nevertheless, I believe that, in dividing it, there were no insurmountable problems. This is basically a question of dividing real estate, which involves the main building in Prague on Political Prisoner Street—the historic Petschek Palace, two buildings on Washington Street (Nos. 7 and 11), a very simple recreational facility on the Sazava River, training centers in Bratislava and Miletin, and a building (also in Prague on Political Prisoner Street) that houses the former budgetary organization of the Federal Ministry of Foreign Trade—and the Foreign Trade Institute. The Petschek Palace will continue to serve the needs of foreign trade. For the time being, it has been transferred to the ownership of the Ministry of Foreign Affairs. The buildings on Washington Street have been transferred to the Federal Ministry of Finance for use by the Central Customs Directorate (after 1 January, organs of the Czech Customs Administration are to be housed here). The building that houses the

Foreign Trade Institute will be transferred, after 1 January 1993, to one of the successor organizations—the Ministry of Industry and Commerce of the Czech Republic. The training center in Bratislava will very likely suffer the same fate. The center in Miletin has been acquired by the customs authorities for their use.

[Bautzova] For the time being, we are speaking only about domestic real estate. But there is also property abroad.

[Karolyi] It is probable that few people know that the Federal Ministry of Foreign Trade owned virtually nothing abroad. Real estate in other countries was always the responsibility of the Ministry of Foreign Affairs. The Ministry of Foreign Trade owned only material property, the furnishings of apartments and offices, automobiles, and so forth. Commercial sections were either housed in buildings owned by the Federal Ministry of Foreign Affairs or had certain rented offices and housing facilities, so that, in this regard, there will probably be no problems for our section. Any apportionment between Czech and Slovak commercial sections after 1 January is no longer within my jurisdiction.

[Bautzova] The greatest problem is most likely the "division" of employees. How did you deal with that task? How many employees will leave the former Federal Ministry of Foreign Trade, and how many will transfer to new institutions of state administration?

[Karolyi] Whenever human potential is being manipulated, it is always very complicated. Moreover, this involves employees who are well-equipped in terms of specialties as well as languages, even though it is naturally necessary to admit that a large number of specialists from the ministry left because of the uncertainty that enveloped the future of this institution over the past two years (the average age of the Federal Ministry of Foreign Trade was much lower in comparison with the other federal offices some years ago). But I dare say that even those who have remained are highly qualified specialists. The center in Prague (the former Federal Ministry of Foreign Trade and, subsequently, the Section on Foreign Trade of the Federal Ministry of Foreign Affairs) employed about 300 individuals on 30 November 1992. As of 1 December 1992, approximately 80 employees transferred to the Ministry of Industry and Commerce of the Czech Republic, where a Commerce Division was created and is divided into a domestic trade section and a foreign trade section. As of the same date, a certain number of employees (together with their jurisdictions) were to be transferred to the Ministry of Economics of the Slovak Republic. However, the facts are such that nobody was interested in leaving to go to Bratislava. This will be a great problem for the Slovak Republic because the human potential is the most valuable. The Czech Ministry of Foreign Affairs has created approximately 50 jobs for former employees, particularly in the area of international relations, legal affairs, control affairs, personnel, and so forth. Some employees of the Section on Foreign Trade of the Federal Ministry of Foreign Trade

have already been transferred to those jobs; others must take care of tasks I mentioned at the beginning until the end of this year. This "remainder" will terminate their activities in the section by 31 December 1992; some will find jobs at the Ministry of Industry and Commerce of the Czech Republic, some at the Ministry of Foreign Affairs of the Czech Republic, and approximately 120 will have to leave the state administrative apparatus because of organizational changes.

[Bautzova] How many employees are abroad today in commercial sections, and what will their fate be?

[Karolyi] Thus far, approximately 700 individuals who have work agreements with the former Federal Ministry of Foreign Trade are serving abroad. Of these, approximately 400 are in commercial sections in the functions of chiefs of commercial sections, commercial attaches, economic analysts, economists, secretaries, drivers, and concierges. Another virtually 300 persons are so-called delegates, who are employees of individual Czechoslovak firms that are developing commercial policy activities for their mother enterprises abroad. Even they have work agreements with the Federal Ministry of Foreign Trade and are housed in our commercial sections. This practice, on the one hand, was formally compelled by the economic system and, on the other, was bilaterally beneficial: The commercial section was paid certain sums of money by the enterprises to whose delegates it "afforded asylum"; at the same time, the delegates enjoyed certain advantages based on their official passports, which opened many a door for them.... Much consideration was given to whether we shall preserve this practice in the future. In each case, we must settle all financial matters with all delegates by 31 December of this year (and with their mother enterprises), but they will most likely remain in the former commercial sections for some time to come.

The Personnel Commission of the Federal Ministry of Foreign Affairs discussed the future of the commercial sections very intensively, and dealt with their arrangement and integration. The commercial sections are becoming economic-commerce sectors within the framework of representative offices, with the commercial counselor being directly subordinated to the ambassador. They looked at every name and considered which individuals would be forming the future representative offices of the Czech and the Slovak Republics. As far as division into Czech and Slovak offices is concerned, in many instances they will most likely be housed in the same building.

[Bautzova] In making decisions regarding the personnel staffing of representative offices—commercial sections abroad—were there no problems in conjunction with "future citizenship" of those employees?

[Karolyi] Each "applicant" had to fill out a form on which he listed the citizenship he desired. In other words, the commission was not concerned with the nationality of the employee, but with the employee's



desire to work for one or another of the republics. It must be pointed out that the Czech Republic was interested in some Slovak employees, and vice versa. But there were no problems. Certain changes were made on behalf of the Czech Republic; the Slovak Republic retained virtually all who were interested in its offices.

[Bautzova] Will all of the 120 commercial sections survive?

[Karolyi] No, 26 of them will be eliminated on 31 December 1992—for example, in Afghanistan, Albania, New Zealand, and so forth. However, that does not mean that either the Czech Republic or the Slovak Republic cannot open its own section as early as next year.

[Bautzova] In making decisions and integrating the former commercial sections under the sponsorship of the Ministry of Foreign Affairs, were you guided by the experiences in some other countries? It is known that this system did not prove viable in the United States, for example, and U.S. commercial sections abroad are today part of the Department of Commerce.

[Karolyi] This question was surely dealt with by organs of the individual republics, but, within the framework of the Section on Foreign Trade of the Federal Ministry of Foreign Trade, we also evaluated various foreign models and borrowed from the experiences of several industrially mature countries. The facts are such that the commercial sections of some countries are directed by their ministries of foreign affairs, others by their departments of commerce, and still others established by special chambers of commerce, where contributions to their activities are made by enterprises the commercial sections abroad actually serve. In each country, they take their historic and economic principles and experiences into account; we must thus proceed on the basis of our conditions.

[Bautzova] Let us return to Czechoslovakia once more. For the time being, we mention the jurisdictions of the individual successor ministries to the Federal Ministry of Foreign Trade only in conjunction with transferring employees. How will jurisdictions in the area of foreign trade policy be specifically divided?

[Karolyi] The Ministry of Foreign Affairs of the Czech Republic will primarily be forging the overall concept of external economic relations (understandably in cooperation with the Ministry of Industry and Commerce); it will direct Czech representative offices abroad, including their economic-commerce sectors; and it will coordinate the provision of and the acceptance of developmental aid. Furthermore, it must support all relations with other countries, with international government organizations and integrating groupings (the EC, EFTA [European Free Trade Association], GATT, UNIDO [United Nations Industrial Development Organization], the OECD, the European Economic Commission, and so forth). The Ministry of Industry and Commerce of the Czech Republic is the central organ of state administration for foreign trade of the Czech Republic. It is

responsible for permit and licensing activities in foreign trade and has jurisdiction over negotiating bilateral and multilateral economic and commercial agreements. In its relationships with international organizations, it is responsible for the area of economic cooperation with the EC, the Commercial Committee of the European Economic Commission of the United Nations, EFTA, and GATT, and it cooperates with the OECD and other international organizations. It is also the coordinating body for the Czech Republic in its relationships with the customs union between the Czech Republic and the Slovak Republic. The sharing of jurisdictions in the Slovak Republic in the foreign trade area by the Ministry of Economics and the Ministry of Foreign Affairs lies within the authority of the Slovak Government.

[Bautzova] It would seem that some jurisdictions of the Czech ministries are partially overlapping. Do you believe that this system will be functioning in a problem-free manner?

[Karolyi] In my view, it is essential for both republics to create highly precise boundaries that will determine what sort of thing will be "handled" by which ministry, as well as precisely identify areas of cooperation. This is not simple at all; the division, which was decided on by both governments, has its justification and its logic, but I anticipate that it will function well and that optimum conditions for the development of the Czech Republic's foreign trade (and understandably also the Slovak Republic's) involve the maximum efforts on the part of both ministries to fully respect all mutual agreements.

[Bautzova] The heritage of the Federal Ministry of Foreign Trade is not only represented by real estate and by human potential, but also, unfortunately, by claims abroad that cannot be ignored. What is the overall volume of these claims today? Who is dealing with this problem, and how will it be solved?

[Karolyi] In order of magnitude, claims abroad represent several billion dollars. It is, therefore, necessary to take the essential steps, both in the framework of both republics and also toward foreign countries. As far as the relationship between the Czech Republic and the Slovak Republic is concerned, a key for dividing these claims among the republics is being sought, both for debts that have been paid off and for unrecoverable debts. In both republics, it is necessary to identify those banks that will continue to administer these credits from the technical standpoint and, in the event of agreements, on the basis of which these credits can still be drawn upon, to once more decide on the apportionment between both republics. Sponsorship over this entire problem area lies with the Federal Ministry of Finance until 31 December 1992; the Section on Foreign Trade of the Federal Ministry of Foreign Affairs already notified the Federal Ministry of Finance in November of the seriousness of this problem and informed the prime ministers of all three governments and the ministers of finance of both republics. At the same time, we broke this problem down into several areas by content and priority. However, it is



necessary to take into account that the current problems involving claims are part of the heritage resulting from the many years of the previous regime, and it is not possible to expect any kind of miraculous solutions.

**\* Economic Reform Continuation Viewed by Klaus**  
93CH0298B Prague EKONOM in Czech 1-6 Jan 93  
pp 14-16

[Interview with Vaclav Klaus, minister of finance and prime minister of the Czech Republic, by Irena Satavova and Eva Klvacova; place and date not given: "The Economic Transformation Continues"]

[Text] *We are in contact with economist Vaclav Klaus repeatedly, be it in the function of minister of finance or prime minister of the Czech Government at times of certain watershed events. This time it is not only on the occasion of the beginning of 1993—the third year of the transformation—but also during the first days of the new Czech state. The lead question in our interview pertains to it.*

[EKONOM] What basic building blocks will you use in order to build the new Czech state and to promote its credibility abroad?

[Klaus] At the present, the key factor, the key word, is "continuity." The notion that after 1 January 1993 we would become someone else or something else is pure childishness. Let us not define the new Czech lot, the new Czech statehood prematurely at any cost. We must primarily conclude the transformation process in all its dimensions, bring to an end what we began after 17 November. This is by far more than the economic transformation; that would be a simplification of the problem. We must also continue in the human, moral, and cultural transformation. All of these processes are taking place here, and we must continue them. The main task consists in not stopping, in continuing everything we initiated. The notions of all those who want to raise their impassioned voices to say that, after the coming into being of the independent state, we will be more moral, there will be fewer crimes, we will be better off in one respect or another are nonsense and dangerous.

[EKONOM] Let us therefore now focus on the economic transformation. In which of its moments do you believe the economic reform to have been 100-percent successful, and where did it encounter pitfalls that it has, for the time being, not succeeded in circumventing?

[Klaus] I constantly repeat that the economic reform is not taking place in a vacuum, but under highly complex social reality conditions, and I therefore claim that it has hitherto progressed by the only possible method. If I were an independent observer from the planet Mars, I would probably tell myself that some processes could have been accomplished more rapidly and others less painfully. If, as an independent economist, I were shut away doing my research somewhere in an ivory tower and were able to look at the sullied world of reality below

me from above, I would say that everything in my models and books is written and outlined in a much simpler and cleaner manner, and I could then be critical. But, if I know that the economic reform is a social process, participated in by thousands, hundreds of thousands, and millions of people, with their innermost interests, interests that are playing not only together but against each other, then I absolutely must state that the reform is functioning in the manner in which it is happening. I do not believe that any kind of clear mistake was committed, which we could have avoided had we only been a little more clever. I really do not think so.

[EKONOM] However, we believe that, over the course of last year, the pace of the reform began to slow somewhat. This had to do with the initiation of the preelection struggle, then the elections, and, after the elections, the questions pertaining to the constitutional arrangement. These questions then acquired superiority over purely economic questions. How do you evaluate that period, not from the position of a politician but from the position of an economist?

[Klaus] The number of disputes or measures involved in the constitutional arrangement naturally predominated over changes that were purely economic in character. But let us pose the question as to whether this is proof of the fact that nothing was going on in the economy. I believe not. Over the past three years, the overwhelming majority of all spectacular reform steps, such as the beginning of small-scale privatization, the beginning of large-scale privatization, the initiation of price liberalization, and so forth, took place. Now, the era of the day-to-day work effort has begun. Before the elections, I asked all of my advisers to make up a list of additional specific reform steps in time for the next government proclamation. But these are not new steps. At the present time, we must continue in those steps that have been initiated and bring them to conclusion. For example, privatization is going on smoothly. I might like to see not 50 but 100 enterprises privatized each week, but it is nevertheless important that a certain pace does exist here and that it is not being retarded. The second round of privatization is being prepared. A whole lot of economic laws have been approved. Tax reform is being readied, and this is such a fundamental and deep change that, under normal circumstances, it could represent a specific reform goal in and of itself. I actually do not feel that the reform has been slowed down, and its economic results tend to satisfy me (see table describing the development of inflation in postcommunist countries over the past six months, where Czechoslovakia, with 6 percent, is at one end of the spectrum of 11 monitored countries, and Russia, with 940-percent inflation, is at the other end. Similarly, the development of the Czechoslovak export structure is also fundamental; before November 1989, 50 percent of exports were flowing to the Soviet Union, and, this year, 50 percent of our exports are destined not solely for the West, but also for the European Community. If these data are not proof of an extraordinary

adaptability of our economy, then I really do not know what other proof there could be. And I can continue with listing proofs of the success of the reform: the rise in personal consumption in 1992 by 18-20 percent; the increase in industrial production over the past two months; the rapid growth in the construction industry, in freight transportation... It is not the results of the reform that would make me nervous.

**Rate of Inflation**  
(in percent, January-December 1992)

Czechoslovakia	6
Hungary	24
Poland	41
Bulgaria	113
Romania	232
Slovenia	290
Croatia	383
Serbia	820
Russia	940

*Source: Vienna Institute for International Economic Development*

[EKONOM] One of the conditions for the further progress of economic transformation are bankruptcies, which represent a cleansing, revitalizing mechanism in every normal economy. However, in October, the full validity of the law on bankruptcies and settlements was deferred by six months. At the same time, a group of experts was convened, which was supposed to find a solution for the complex of problems having to do with bankruptcies. What are the results of the activities of this group of experts?

[Klaus] I have repeatedly stated and emphasize again that our law on bankruptcies is unsuitable. It is a fair-weather law. It would be suitable for Norway or Switzerland but not for an economy that is transforming itself. We need to invent a specific solution for a specific situation. Just as standard privatization methods were not sufficient for us, and we needed the nonstandard method of coupon privatization, so also we need a nonstandard law on bankruptcies. This was not successfully accomplished by adopting the existing law, even though I vehemently fought for such a solution. A way out was found in deferring the effective date of Section 27 by a year—that is, until 1 October 1992. When that date approached, I must admit that we forgot about it in the crush of urgent tasks having to do with the division of Czechoslovakia. I do not know which of my ministers I should blame for that. That is why we had to temporarily halt the validity of the law on bankruptcies, and that is why we are working on its transformation version.

[EKONOM] Let us return to the activities of the special commission of experts, which was created to solve the nonstandard questions of the law on bankruptcies and settlements. So far, no one has been willing to tell us what the results of its activities are.

[Klaus] I must say that the results of the activities of this commission are insignificant. Progress is being made by peeling away the individual layers of skin of the problem, which is the correct way, and the state is thus helping the enterprises immensely. See, for example, the recent actions involving the CSOB [Czechoslovak Bank of Commerce], but a global, final, and imaginative solution to the question of enterprise indebtedness, the potential consequences of bankruptcies and their distribution among individual participants has thus far not been found. Despite the fact that we went over the new ideas twice at the consultation meeting for economic ministers, I believe that it has not yet been possible to reconfigure the law into an actual fundamental position. I say this with complete responsibility, and I admit it. I will personally devote more time to this problem.

[EKONOM] Let us now focus on privatization. The various episodes one hears in connection with privatization from time to time anger the level of public opinion and act in an antireform manner. Do you believe that the number of these affairs could be reduced? And a second question: Aren't the incursions by the state into the process of privatization overly great? Isn't the entire process unnecessarily bureaucratic?

[Klaus] What is most important of all is the fact that the pace of privatization is not slackening and that I consider this to be satisfactory. As far as the ethical question of privatization is concerned, I believe that the number of incidents, or rather miniaffairs, is negligible. The fact that two or three such miniaffairs have cropped up and more or less involved minutia is symptomatic of the fact that the entire system is essentially in good shape. The absolute majority of privatization actions, the thousands of cases involved, are occurring in line with a method that is fully acceptable.

As far as the extent of state incursions is concerned, what else should the state do if not make incursions into the process of privatization? There is an enormous number of these projects. The system must be globalized. The principle that privatization projects are formed from below and, to the extent possible with alternatives and by the competitive method, is certainly correct. As far as state property is concerned, the founding ministry must take a position on it, even though we can, of course, debate whether one or another official at one or another founding ministry is doing his work ideally, in an average manner, or completely poorly. At the end of the entire process, there must be a single agency that will look at a project from a certain viewpoint, connect industrywide as well as other interests, and evaluate projects on the basis of some kind of general principle. I cannot visualize any other solution. In my opinion, it was a mistake to involve the Fund of National Property in this entire process. But we inherited this solution from the preceding government. When that government was being formed, we did not have the opportunity to influence it.

[EKONOM] Another important side of transformation is the banking industry. Are the banks retarding the development of the economy? Your statement to the effect that they are disturbing many bankers, and your speech was considered to be political pressure being exerted upon the banking sphere.

[Klaus] I reject the contention that an expression by the prime minister and the minister-economist as to what he likes or does not like regarding the conduct of the banks could be considered as intervention into the banking industry, with a political subtext! In the case of the banks, much like a lot of other things in this state, it is a question of newly created institutions that are making the transition from babyhood to infancy and have thousands of childhood diseases. Their strongman words, indicating that they feel like they are mature and ripe young men, tend to surprise me more. If my words disturbed them, the disturbance is mutual. When I see all of our bankers making efforts to look as much as possible like Wall Street, I ask myself whether it would not be better if they devoted more attention to judging the economic situation of one or another of the enterprises, if they spent more time judging investment projects and selecting the best ones. I do not know whether I said exactly that the banks are choking the economy—I would have to check on that—but we are not concerned with semantics here. It seems to me that they are behaving in an inflexible manner, that they first quite loftily equip their office spaces instead of analyzing interesting investment projects. This is an undisputed fact. It is also an undisputed fact that they are raising their own interest margins—that is, the difference between positive and negative interest rates. The rigidity of the banking system applies to both the commercial banks and the central bank, which, in my opinion, saw its own excessive image in the policy that less is more.

[EKONOM] The commercial banks are criticized for lending far more resources to state enterprises than to private businessmen, for being far from always lending on the basis of the principle of recoverability and guarantees for credits granted, for lending in accordance with the principle of personal contacts and acquaintances.

[Klaus] There is a tremendous quantity of such signals. Of course, it is easier to lend 100 million korunas [Kcs] than to make 100 loans of Kcs1 million! This is the way the banks are currently behaving. It is logical, and it is difficult for us to blame them for it.

[EKONOM] When we spoke with Governor Tosovsky and wanted to know what the central bank can do to lower interest rates and revitalize the economy, he responded that lowering the discount rate provides an exceedingly weak impulse to commercial banks for changing their interest policy. In your opinion, what can compel them to do so and how?

[Klaus] Above all, there is a need for competition in the banking system. Foreign banks are permitted to operate in our country today on the basis of a bad concept and

doubtful principles. Although some 40 foreign banks are active here, the absolute majority of them are handling only payments contacts for a few enterprises that have foreign capital participation so that they did not introduce any kind of demonopolization into the banking system. I have repeatedly claimed that foreign banks should be operating in this country only under the condition that they will develop normal banking transactions in this country involving our clients in the sphere of standard economic activity.

[EKONOM] There has been talk recently of growing social tension in conjunction with the privatization of enterprises, in conjunction with the unclear future of these enterprises, in relation to the anticipated bankruptcies, regarding losses of jobs, increasing housing costs, and so forth. In some regions, there are additional special reasons for the existence of this tension. Do you perceive the existence of this tension? If so, how would you quantify it?

[Klaus] No, never. If anyone were to attempt to quantify this phenomenon, he should compare the warning catastrophic headlines in our daily press over the past three years, and he needs to show me, on a time line, that their number is growing. It is not growing! It is always the same, always the same people who are always raising the same arguments. I have wanted to ask my secretariat several times already to document all letters for me over the past three years in which I was warned that, if I did not do something immediately, the mining industry, the metallurgical industry, the chemical industry, the food-stuffs industry, the engineering industry, the automobile industry, agriculture, the meat combines, or whatever would cease functioning in so many weeks, that newspapers would cease publication, and that television would cease its transmissions.... I would say that this manifestation is a constant of our life—nothing more.

[EKONOM] We have entered the new year by dividing the common state. How do you anticipate that Czech-Slovak economic relationships will now develop?

[Klaus] I believe that, if a clear division of authorities and jurisdictions is accomplished, those relationships that were a matter of dispute in the undivided area will become smoother and more clearly defined. These will be partnership-type relationships. I see not the slightest reason that they should deteriorate, as a whole lot of our prognosticators-pessimists are claiming.

[EKONOM] We continue to be connected with the Slovak Republic through our common currency, and it is therefore possible to actually speak of a currency union. Will it be functional? How long do you believe it can persist?

[Klaus] I do not like to hear the words "currency union." We never spoke of a currency union. We spoke of the fact that, for the first, most immediate period, we need to minimize business losses, losses in production and employment, and that, therefore, it is most suitable to retain a common currency for some time to come—

retaining the Czechoslovak koruna. I never said how well or how poorly or for how long this would function because it makes no sense to say so. At the moment the economic policies of both countries begin to differ substantially, it will not be possible to preserve a common currency. But to all those who are very pessimistic, I say that, until the end of 1992, we lived in a total currency, customs, and who knows what other union. For a common currency, a common customs system, or a common market to exist, there is no need to have a 100-percent identical economic policy. There are many differences between Denmark and Greece in fiscal policy, in customs rates, in the size of the state deficit, in the extent of state participation in the economy, and in thousands of other matters; nevertheless, within the framework of the European Community, a customs union exists between Denmark and Greece. In our country, these questions are regarded by all in absolute terms unpragmatically. I do not believe that it is necessary for all unions in which we live to disappear overnight. It will take some time before the economic policies of both our countries come unglued and become specifically different, if for no other reason than for purely practical reasons, because an enormous inertia governs the economy, economic policy, and the life of the majority of institutions. I do not believe that the period of a common currency will have to be as dreadfully brief as many envisage. That is the only thing that can be said now. It is unnecessary to attempt to predict or predetermine any deadlines. We must know how to do only one thing: to make a flexible transition from the first phase of the monetary arrangement to the second and from the second to the third. Nothing else is needed.

[EKONOM] In our final question, let us return to the presidential elections in the United States, which ended in victory for Democratic candidate Bill Clinton. The results of the elections are being interpreted as a turn to the left, as a change of direction toward a greater role by the state in the economy, as a signal for more numerous incursions on the part of the state. We are interested in your views regarding the real magnitude of the changes that can be anticipated to occur in the economic and social policies of the United States and your views on their relevance for our economy.

[Klaus] I shall respond to you by using my favorite comparison. We are a country that, if we transpose our problem into a problem of clothing, is changing from wearing overalls to wearing a three-piece suit. In the United States, they have just experienced a change in necktie fashion. No fundamental change in the suit of clothes will take place, let alone that the suit might be changed for another; changing back into overalls need perhaps not even be mentioned. The results of the presidential election and the changes that will occur in the United States are relevant for the United States, but totally irrelevant in terms of the transformation of our country from the world of communism to a completely different world.

#### \* Economic Reform Progress Examined

93CH0297B Prague EKONOM in Czech 25-31 Dec 92  
pp 16-18

[Interview with Eng. Josef Tosovsky, governor of the State Bank of Czechoslovakia, by Irena Satavova and Eva Klvacova; place and date not given: "The Price of Money"]

[Text] *In the final issue of this year's weekly EKONOM, we invited Eng. Josef Tosovsky, governor of the State Bank of Czechoslovakia [SBCS], to grant us an interview on a macroeconomic topic. From the beginning of the economic transformation, the SBCS has gradually carved out for itself a position as an actually independent central bank, whose goal is to preserve internal as well as external monetary stability, measured in terms of the movement of price levels and the rate of exchange. Over the past months, statistics have documented the fulfillment of this task. In implementing monetary policy, the SBCS monitors overall economic development throughout the country and processes its own analyses, which led to the first question in our interview.*

[EKONOM] What is the opinion of the State Bank of Czechoslovakia regarding the progress of economic reform in Czechoslovakia in 1992?

[Tosovsky] In 1992, we anticipated that we would attain the lowest point in the decline of our economic development. I believe that occurred and that we are entering an upswing phase. The signals that tend to confirm this appear constantly more clearly. In the fourth quarter of 1992, we expect that the gross domestic product [GDP], in comparison to the third quarter, will grow by approximately 6 percent; some of my more optimistic colleagues are even predicting 9-percent growth.

As far as monetary stability is concerned, the anticipated trends were not violated, and, even despite a certain increase in the price level in September and October, which was caused by a greater tax burden on alcohol, tobacco, gasoline, and other selected components, the estimated annual inflation growth should not exceed that of 1991—a growth that we anticipated would be in the range of 10-12 percent. The development of inflation during the first eight months was truly outstanding, and, if it were not for the above-mentioned price increases connected with adjusting the sales tax, which does not represent classical inflation, the annual results would also be commensurate.

The only thing that perhaps surprised us was the development of the balance of payments, which recorded a far more favorable result than we had anticipated. In the fall of the year, this trend was already halted, and, in the final months, there has even been a mild decline, which is not dangerous but nevertheless represents a turnaround in the trend.

From a broader view of the overall progress of the reform, 1992 was to be a key year—following the macroeconomic stabilization that took place in 1991—from the standpoint of the transformation affecting the enterprise sphere. Particularly in the area of restitutions and privatization, much has been accomplished, and clearly visible changes can be noted in the sector of commerce and services. Nevertheless, we did anticipate that large-scale privatization would be completed and that bankruptcies would begin—in other words, that deep changes in the microsphere would come about sooner. I believe that we are a bit behind schedule here, a schedule that is being deferred to next year.

[EKONOM] We are only a few days away from the new year. How is 1993 expected to look from the standpoint of the progress of the economic reform—seen through the eyes of the central bank?

[Tosovsky] It would seem that next year will be a key year and the second decisive year from the standpoint of the economic reform. If the beginning of the reform in 1991 was important from the macroeconomic viewpoint—we needed to stabilize the economy following the liberalization of prices—then 1993 will be a combination of at least three factors: Large-scale privatization will create new owners of today's state enterprises, and, for the time being, we are not able to estimate what their conduct and their influence on management will be, and we cannot yet estimate the efficiency of the enterprises; at the same time, a capital market will come into being to an unprecedented extent, involving a minimum of 8.5 million holders of investment coupons plus investment funds, which will have its monetary and other consequences, and bankruptcies must ensue—or, rather, a cleansing process must take place. These changes will be accomplished in a relatively short time frame and against the background of changes in economic relations with Slovakia.

We do not expect that an economic decline will occur in 1993 in the Czech Republic. Even though the external climate for us will not be in any way extraordinarily favorable, a rapid and effective reorientation of our foreign trade from the east to the west, which, by the way, surprised even the specialists from the International Monetary Fund, attests to a very decent degree of adaptability of our economy. That is why I am convinced that we will succeed in compensating for a possible shortfall in the sale of products in our relationship with Slovakia and funnel such sales into other channels.

In terms of the external environment, which I have mentioned, we anticipate that, in 1993, the status will remain constant as far as economic growth is concerned. If we analyze our largest trade partners, we find that, in Germany, some relatively pessimistic forecasts are cropping up that sometimes even speak of zero growth, which would most likely mean more difficult opportunities for our exports. However, in view of the comparative advantages, we are not looking for any kind of extraordinary

difficulties, but also not for any expansion of exports. We are also not anticipating any great changes in the market for raw materials, particularly petroleum and gas, which could influence inflation in our country. Neither are we looking for any kind of express restriction or advantages from the European Community. Thus, we consider the external environment to represent a certain constant, and we believe that the problem of the failure of Czecho-Slovak trade could be compensated for to a certain extent.

[EKONOM] How do you evaluate the development of the banking sector, which was attained during this year? Was it sufficient, or is the criticism addressed to it justified?

[Tosovsky] The State Bank of Czechoslovakia is only indirectly responsible for development of the banking sector, even though many think that it is fully responsible for it. But they are wrong. In any event, no matter what the complaints against banks may be, it can be seen that competition is arising in the banking industry, the number of banks is growing, and, in comparison with the beginning of 1990, when there were seven banks, there are more than 50 today. Not only is the number of banks growing, but so is the number of their branches and affiliates so that, in terms of their services, the banks are closer to the population and to the enterprises. Employees, who are sometimes recruited virtually from the street, are undergoing training, and it can be said that the foundations for improved services have been laid. The large banks are, at the same time, investing in new payment systems that not only are expensive—basically, they cost billions—but are also demanding in terms of time, frequently taking a year or a year and a half to install, and the results will show up only later. Moreover, this year the selection of banking instruments was enriched (from certificates of deposit, bank accounts, and bonds through time deposits, and so forth), and the balance sheets of the banks were still further cleaned up. By this I am not saying that everything is in order, but I believe that, in the banking industry, a radical transformation is ongoing, the results of which will soon be seen.

[EKONOM] Nevertheless, the banks were charged with “choking the economy” and its revival. How can the relationships and interdependencies between loan rates, the span between interest charged on loans and paid on deposits, the inflation rate, and, finally, even the profitability rate of, say, beginning entrepreneurs be systematically classified and interconnected? A combination of some of these factors gives rise to a negative interest rate.

[Tosovsky] We fine-tuned interest rates so that, with respect to longer-term deposits—and I have in mind deposits for periods of a year—the interest rate would at least not be negative. We achieved this as early as the first half of 1991, if I disregard the period immediately preceding price liberalization. As early as April and May 1991, the price level was essentially stabilized, and interest rates are neutral with respect to inflation, or

even somewhat positive. During that period, the population's rate of savings also became stabilized; the populace began to save more in korunas [Kcs] rather than in foreign exchange, which meant that confidence in our currency was rising. We would like to continue this policy, even though a certain movement of prices is expected to result from the startup of the new tax system next year.

As far as businessmen are concerned, they would be complaining of high interest rates, even if the interest rate were only 3 percent. This is the standard scheme of doing business for a businessman; we know it exists in all industrially advanced countries. Our specific problem lies in the fact that there sometimes appears to be an overly large span in interest rates that the banks pay to the populace or to businessmen on one hand and that they collect for making loans on the other. This margin is approximately 6 percent today. There are three basic reasons for this. First, some banks do have certain old and doubtful loans in their portfolios. At some time or another, someone will have to pay them, and that will cost something. Second, banks make loans to new business people, who can virtually not document any experience because they simply have none. It is not out of the question that some of these people will not succeed. The banks again face a risk in this respect. Third, I would say that, two years ago, not a single bank had an adequate infrastructure. Its creation, in practical terms, means to purchase buildings and branch offices, to hire people, to introduce computer equipment—and all of this is very expensive. And now it is a question of finding such a balanced status of the profit margin, which would make it possible for banks to realize the development necessary to provide quality services and, at the same time, would not be "choking" clients because this would again be detrimental to the banks. It is clear that, if bank clients are in difficulty, the same difficulties also affect the banks. If the SBCS attempted to regulate these margins administratively, that could slow down the entire transformation. Moreover, it would be totally in conflict with the liberal direction of the economic reform.

[EKONOM] Let us return to interest rates. By lowering the discount rate in August by 1 point, the SBCS wanted to give a certain signal to the commercial banks to change their interest policies. It would seem that that signal was not sufficient. Why?

[Tosovsky] We made the decision to lower the discount rate at a time when the measure of inflation was relatively low. We expected that that trend would continue and believed that the commercial banks should lower their margins a bit. But, as you know, the tax on alcoholic beverages, cigarettes, and gasoline was increased this year—in other words, prior to the introduction of the value-added tax. That decision was expected to lead to an improvement in revenues to the state budget and to lowering its deficit. That step had not

been prepared previously, and, therefore, we were unable to count on it in our forecasts. Our discount rate thus fell a bit outside of the market.

Generally, the discount rate has virtual zero significance in terms of forming market interest rates because only an insignificant volume of loans is made today at the discount rate. The market price of all other credits is formed with the aid of market instruments and is modified even by the standing of some banks and by the situation that exists between the Czech and the Slovak Republics, insofar as streams of money between the two are involved. That, however, is a certain specific problem. The discount rate has only an influence as a psychological signal, but we can absolutely not have any ambitions regarding our ability to somehow use it to influence market interest rates.

[EKONOM] If the discount rate provides only a "psychological" impulse, why did the SBCS not attempt to lower the interest rate by offering more auction and daily refinancing credits, which were offered to commercial banks at an interest rate of 13-16 percent? The favorable development of the balance of payments, which meant a greater than anticipated influx of money into Czechoslovakia, would have facilitated the cheapening of money in harmony with the law of supply and demand.

[Tosovsky] The quantity of money in the economy is tied to the anticipated development of the GDP, the balance of payments, inflation, the speed of money turnaround, and other magnitudes. In its monetary program, the State Bank sets certain points, which it monitors and on which it supports itself in its monetary policy. At the same time, it must react to actual developments by permanently monitoring liquidity in the banking sector and establishing the level of financial resources to be made available for refinancing. If the monetary program anticipated a negative balance of payments and if that balance turned out to be a positive one, it would be necessary to reevaluate the situation and to withdraw the surplus liquidity by making available fewer refinancing credits, rather than the opposite.

And then there is still another related problem. Not all of the banks are coming in for refinancing credits—for those so-called pump-priming devices. A number of them do not need them and are thus also not dependent on refinancing credits. And, if we are not capable of influencing these large banks, which determine the climate in the banking sector, we can influence only the small ones, which come to the source only to drink little. Moreover, the situation is complicated by the problem of Slovakia, where the creation of credit resources was substantially smaller and the need for credits, particularly for budget deficit reasons, substantially greater.

And then there is the problem that saw the segmenting of the interbank market and resulted in a substantial lowering of the movement of resources among banks. There is no passing of resources between banks, particularly between Czech and Slovak banks, for reasons that have

to do with the division of the state. Consequently, some of the large Slovak banks were prepared to buy up any quantity of refinancing credits at virtually any price. That gave rise to high interest rates at the auctions and in granting refinancing credits. Following the monetary separation of Slovakia, that problem will very likely be partially eliminated in the Czech Republic, but the deformations based on the standings of the large banks will remain.

[EKONOM] You spoke of the modification of market prices as a consequence of the standing of some banks. You certainly have in mind the monopoly position of several banks, which is the target of frequent criticism. What is your opinion of this monopoly position?

[Tosovsky] The monopoly position of the banks is undergoing change. At the beginning of 1990, it was only the savings and loan institutions that were accepting deposits from the populace. Those services are being developed by many other banks today. The situation is similar with respect to other activities: The savings institutions are starting up their credit business, the large banks are forced to provide complex services to their clients, including foreign payments contacts, which signifies the disruption of the monopoly of the Czechoslovak Commercial Bank, and so forth. I want to say by this that the banks are becoming far more universal in nature at a relatively rapid pace.

As far as monopoly position is concerned, not in terms of specialization but in terms of the size of the banks, nothing substantial is going on in this respect and will probably not be going on. The small banks do not have a chance to catch up with the big ones, which does not at all mean, however, that the small banks could not exist here, could not function, and could not find their own circle of clients.

[EKONOM] Is there any kind of state support for small and medium-size banks?

[Tosovsky] No such program exists. Nevertheless, a sufficient stream of capital is flowing into the banking industry that has to do with the hitherto small amount of competition and the expectation of higher profits than elsewhere. The situation could be different in the course of two or three years; mergers will be occurring, and some banks will simply not prevail in the competition struggle. But that is a more distant perspective. Today, the growth in the banking industry is great, and the problem faced by some smaller banks has to do with their "overheating."

[EKONOM] Still on the subject of the monopoly position of banks, you spoke of it not because of their numbers but because of who else can today grant loans on the interbank market and establish their prices in a monopolylike manner. Can your response be interpreted as meaning that the growth of competitiveness should lead to an increase in the number of entities capable of offering less expensive credits in the interbank market?

[Tosovsky] Yes. But there is more. The majority of operations having to do with the transformation of our economy was hitherto dependent upon the banks. Next year, a capital market will come into being that will create a new source of capital. It can be expected that part of the savings by the population, part of the deposits by enterprises and by other investors, will be transferred from the banking industry to the capital market and that the banking industry will lose its exclusive monopoly position as a result. In connection with the capital market, a number of our enterprises will already have had two or three years of successful activity under their belts and will be able to issue and place their bonds in this market—in other words, in seeking financial resources they will no longer have to rely only on the banking sector. The banking sector will thus face growing competition.

[EKONOM] The constantly high price of money clearly has to do also with the need for so-called transaction money, which is difficult to quantify.

[Tosovsky] The mildly expansive monetary policy of the SBCS can be documented on the basis of statistics, despite the fact that the demand for money continues to be heavy and despite the fact that interest rates are growing. The reason is the unquantifiable demand for transaction money—that is, money that is essential in the transformation of the economy. The relatively small number of entities at the beginning is increasing more and more. This in itself requires more money. Entrepreneurs require capital in order to be able to purchase factories at auctions or as a result of direct sales. The population is acquiring property free under restitution, but if it wishes to sell it to anyone, the buyer again needs a loan. No one is able to estimate this special need for transaction money.

And I would list the insolvency of enterprises, which also influences the demand for money, as another problem having to do with the price of money. It is quite possible that, if we injected more liquidity into the economy, the surplus quantity would be soon absorbed, and insolvency would decline now that enterprises actually know that the state will not be solving their problems and that their financial discipline is, nevertheless, increasing. The total amount of insolvency has already declined by approximately Kcs20 billion.

[EKONOM] Financial discipline connected with lowering insolvency, however, is more likely to occur with respect to private enterprises rather than state enterprises.

[Tosovsky] In the case of small private enterprises, financial discipline is connected with the question of their existence and further development, and that is why private individuals are adhering to it and demanding it more consistently than the management of state enterprises. It is, of course, also substantial in the case of state



enterprises, but these enterprises have more maneuvering room and more opportunities to help themselves—for example, by selling off various facilities. However, I would not want to make an across-the-board statement; it depends on specific areas and branches, as well as on specific managements.

[EKONOM] Frequently, however, commercial banks grant loans to state enterprises under conditions under which they would not lend money to private enterprises.

[Tosovsky] To the extent to which you have some kind of special-interest coalitions in mind, this will end at the same pace as privatization advances.

[EKONOM] You were one of the few who took a public stand against deferring bankruptcies; all of the others made use of arguments justifying the deferral. Since the deferral, three months have passed, and we have been unable to find out what alternative solutions are being proposed.

[Tosovsky] Even I have not been much more successful. As far as I know, a new law on bankruptcies is being readied, and there is an effort to incorporate provisions in it that should have a mitigating character, reflecting our hitherto not completely market-oriented situation and economy beset by old burdens. It will be interesting to see whether the government will wish to play some kind of active role in the bankruptcy process. It has a whole scale of instruments available for that purpose, ranging from tax forgiveness for a certain period of time through the granting of state guarantees of granted loans, and so forth. However, it is a dilemma because such steps violate the principle of equal conditions for everyone, for state enterprises as well as private entrepreneurs. In other words, a solution that reflects our situation must be found.

[EKONOM] What kind of solution appears to you to be more advantageous?

[Tosovsky] I personally believe that the government will seek a solution in collaboration with the banks. Insofar as resource coverage for the banks in case of bankruptcies is concerned, rather than in a tight budget, it will be necessary to seek resources from the Fund of National Property.

[EKONOM] Do you believe that, with the full application of the law on bankruptcies, which went into effect on 1 October 1992, there will actually be an avalanche of bankruptcies? Could not the demonstration effect of bankruptcies have more of an educational effect and lead to a change in the conduct of enterprises?

[Tosovsky] I believe that, in the given situation, the courts might not be able to master the number of bankruptcies. It would be necessary to somehow correct the large wave. On the other hand, if the reason being given is that every greengrocer might be able to do away, for example, with the Skoda Works, then I say: And why not? If we want private entrepreneurs as well as large

state enterprises to have equal conditions in the market, they must be subject to the same rules, including the rule of bankruptcy.

[EKONOM] What reason do you think was the basic one, the key one for deferring bankruptcies?

[Tosovsky] I think there were three: One had to do with privatization because bankruptcy actually takes an enterprise out of privatization; a second was the fear of possible chaotic progress, and it will surely be better if we can let the bankruptcies "play out" in one republic. I see the third reason for deferring bankruptcies in the fact that we shall be better prepared for them insofar as the banks are being relieved of their loans to state enterprises, and, at the same time, the quantity of loans in the economy is rising. That means that the problem is getting relatively smaller.

[EKONOM] According to you, bankruptcies will not be able to return the economy to the depression phase next year. Is that not correct?

[Tosovsky] Yes and no. It depends on how many there will be and over what time frame they will be distributed. Of course, bankruptcies will mean a shortfall in production at some enterprises—that is, they can show up as a downward tick in the decline in industrial production and in the entire GDP. On the other hand, a number of industrial enterprises have already been privatized and will begin to act in a market-type manner next year; the influence of foreign investments will begin to be felt, investments we acquired over and above our expectations. For example, the decision by Volkswagen to double production signifies a giant move, even for all of its sub-suppliers. In other words, there will be parallel processes going on when something is permanently abolished or when something new is born.

[EKONOM] If the solving of bankruptcies were transferred to the banks and if the Fund of National Property would participate in the losses of these banks based on bankruptcies, would that influence the interest margin that is today being justified precisely by the need to create reserves for the anticipated losses to be suffered on account of bankruptcies?

[Tosovsky] If the banks were certain that their losses based on bankruptcy would be lower—let us say, by one-half—they would be creating smaller reserves, and there would be room here for a decline in interest rates.

[EKONOM] In conclusion, a question having to do with the capital market, which is under preparation. With the conclusion of the first wave of coupon privatization, it is anticipated that there will be a high supply but an inadequate demand—because of lacking liquidity. How will the central bank come to terms with this next year?

[Tosovsky] For next year, we anticipate that there will be a need to solve the question of liquidity in the capital market. A new taxation system will be introduced that will increase price levels by an estimated 6-7 percent.



However, that need not be static in character. There could also be additional multiplications. Moreover, the new taxes will be difficult to collect in the beginning, and the state budgets will thus require liquidity in order to cover those gaps. I have already mentioned bankruptcies, and, of course, there is the dissolution of the state. In other words, there is a complex of problems that we are now analyzing and that will result in a monetary program that will have to figure even on the need for further amounts of transaction money. A key question will be the timing of distributing liquidity—in other words, when should it be greater and when smaller?

#### **\* Economic Expectations Opinion Poll Evaluated**

93CH0297D Prague EKONOM in Czech 25-31 Dec 92 pp 26-28

[Article by Michal Kudernatsch: "How Will Capitalism Look in Bohemia? Results of the Empirical Investigation by the Sociological Institute of the Czechoslovak Academy of Sciences"]

[Text] *The Sociological Institute of the Czechoslovak Academy of Sciences, in collaboration with the Center for Empirical Research, undertook the fifth portion of a regular representative investigation under the title "Economic Expectations and Attitudes" in June 1992. Part of this research also involves the ascertainment of attitudes by the population with regard to the ongoing economic reform and its consequences.*

At the beginning of the economic transformation, our society appeared to be divided into two camps, of which the more pessimistic and less trusting of the newly introduced institutions was relatively greater. Since that time, the ratio of forces has changed dramatically in Bohemia in favor of more optimistically thinking citizens, who are today already in the majority (in Slovakia, the number of optimists is also rising, but has not reached a majority).

#### **Individual, or a Liberal State, or a Social Market Economy?**

In actuality, the attitude toward capitalism comes through in the discussion on the relationship between the state and the individual, the state and the economic activity of people.

Half of the Czech population sees capitalism as the only possible way for our future development. The other half is inclined toward the so-called social market alternative, where the state influences the economy to a considerable extent. A marginal number of individuals (nevertheless, a bit surprising, particularly in Slovakia—Slovak Republic, 6.4 percent), involving 3.3 percent, are calling for an economy that is "socialist, like it used to be here until 1989." Specifically, then, a relatively small number of individuals favor socialism, although it is necessary to analyze views calling for a social market economy. We shall also attempt to respond to the question as to what

people visualize under the concept of capitalism—in other words, what is the content of this designation?

#### **What Is To Be Understood by the Term "Capitalism"**

Few people today cast doubt on two important attributes of capitalism—the right to private ownership and the institution of private business. In Bohemia, the majority of people connect the term capitalism with the liberal economy of a free market. The following attributes are particularly part of the term "capitalism":

- Private business activity, with a minimum of restriction, so that people can achieve even significant wealth and success.
- Differentiation between individuals is a necessary manifestation that depends on the capabilities of each individual.
- Emphasis on the rapid transformation of the economy into private hands and at the cost of a temporary lowering of the standard of living.
- The state should make the minimum of incursions into the workings of the economy (for example, into the formation of prices), even in social areas, because poverty is a problem of the personal capability or lack of capability of each individual.
- Unemployment is caused not only by the market system but more likely is based on the actual interest or lack of interest in doing work.

An essential characteristic that is pivotal to the legitimacy of the capitalist system under our Czech conditions and that is perceived by this portion of the Czech population is a feeling of greater fairness of this system, primarily because it places emphasis on individual activity and responsibility and on generally applicable rules.

#### **An Alternative Is a Social Market Economy**

A "social market" economy was favored in Bohemia by 45.6 percent of all respondents (in Slovakia, 50.8 percent). This hypothetical type of economic arrangement is being called for by people in whom two fundamental feelings predominate: disapproval of the manifestation of unemployment as such and a feeling of injustice.

Because a relatively few of the respondents already have the personal experience of unemployment, the fear of losing a job is more general in character. (For the present, unemployment in Bohemia is more a general bogeyman than an everyday hard reality). Nevertheless, it dominates all positives in this image that a free economy can offer and results in a demand for the primary responsibility of the state to facilitate the work assertion of the individual.

A strong feeling of injustice and dishonesty of a market economy is of great importance from the standpoint of the legitimacy of a nascent economic system. People who prefer a "social market" economy connect injustice and dishonesty with the capitalist system per se and not with individual morality.

This conception then gives rise to demands for directive incursions on the part of the state (for example, in the direction of lowering prices), along with views that poverty is primarily the fault of the system and not of the individual. According to the notions of this group of citizens, a "social market economy" is not a variety of capitalism but could more likely mean its negation in terms of its consequences. What is involved here is a demand to introduce a socially just economy, where the former latent communist rule of "equality in poverty" is only subconsciously replaced by another: wealth, yes, but for everyone. Similarly, the demand for the primary responsibility on the part of the state for the work assertion of the individual and the attitude toward poverty as a fault of society rather than the individual indicates that, in our society, the term "social market" economy conceals a certain type of state directive "real socialist" approach to economic differentiation.

## Two Fundamental Types of Attitudes

### 1. Paternalistic Type

In Czech society, two large groups are shaping. The first type is close to the image of the "social market" economy, as has been noted above. It has characteristic views based on the thesis that it is primarily necessary to stress the assurance of social justice. A strong emphasis on the directive function of the state that is making incursions into the market distribution of resources on the basis of solidarity would possibly, without wanting to, but inevitably result in deformation of the natural logic of market forces and in other forms of state dirigism. Hence, the appellation "paternalistic" type. In Bohemia, this group includes 40.6 percent of the working population and 43.1 percent of the entire Czech population older than age 18 (in other words, including non-working pensioners, women in the household, and students).

### 2. Liberal Type

The second group, with liberal views, accounting for 59.4 percent of the Czech economically active population and 56.9 percent of the population older than age 18, harbors views that are closer to capitalism (as it has been described above), where the carrying element is primarily an emphasis on the efficiency of economic activity, and this is followed by a feeling of greater fairness on the part of the system, thanks to clearly outlined criteria that apply equally to all.

As far as distinguishing between the paternalistic and the liberal viewpoints, the question arises as to the extent to which their roots must be looked for in the actual social situation. The question could also sound like this: Is the demand for introducing a "social" economic arrangement merely a reaction to today's real social situation, and can it therefore be anticipated that its extent will decline proportionally to economic growth? Or is this type of socialism a deeply rooted ideology, the roots of

which go back to the more distant past in our country, and is it the product of a certain social environment?

Tables 1, 2, and 3 show that people with paternalistic views are experiencing greater material difficulties than people who hold liberal views. The differences are significant, and the amount of actual income is a logical determinant of the attitudinal profile of the respondent. However, the importance of income can be relativized in relationship with other possible influencing factors, which particularly include cultural capital and the amount of property.

#### 1. How are you managing in your household with your current income?

	Paternalistic Type	Liberal Type
	(in percent)	
With considerable difficulty	35	18
With difficulty, but I manage	42	40
Easily	23	42

#### 2. Do you have money left over for culture, recreation, sports, and so forth, and to buy the things that are necessary for those activities?

	Paternalistic Type	Liberal Type
	(in percent)	
Yes	20	40
No	80	60

#### 3. Do you have the feeling that you are a poor family?

	Paternalistic Type	Liberal Type
	(in percent)	
Yes	40	24
No	60	76

## Cultural Capital

Cultural capital is defined by several characteristics, the most important of which are the education of the respondent, the education of his father, his orientation in the current political and social environment, and the ability to make use of individual opportunities. A substantial and implicitly resulting difference is the understanding or the lack of understanding of the advent of executive criteria and the level of rational contemplation regarding the relationship between the individual and society that is manifested to the maximum in evaluating the fairness of the system.

#### 4. Can you say that you understand current political events?

	Paternalistic Type	Liberal Type
	(in percent)	
Yes	23	50
No	77	50

There is a marked difference between paternalistic and liberal types according to the level of educational achievement and the intellectual environment in which the respondent grew up. Whereas the paternalistic type is the domain of less-educated people (59.6 percent of the citizens of the Czech Republic with basic educations), the liberal type includes 80.8 respondents with advanced school educations. Similar data pertain to the education of the father.

At first glance, the high number of liberally oriented citizens who do not think changes in our society have resulted in more fairness (Table 5) is surprising. However, if the views expressed by both monitored types are consistent, then those who definitely deny that we are getting closer to greater social justice and who are paternalistic types are virtually saying that the previous regime was fairer, particularly in the economic sphere. Liberally thinking citizens are essentially saying that the new system has hitherto been unsuccessful in eliminating all previous injustices.

**5. Do you feel that changes in our society have brought about more fairness?**

	Paternalistic Type	Liberal Type
	(in percent)	
Yes	20	60
No	80	40

In their reaction to the statement on people's dishonest enrichment (Table 6), the liberal-type position most likely reflects (again assuming the consistency of views) the partial legislative and other shortcomings of the existing transformation process. The paternalistic type here virtually accuses the system that makes it possible for "swindlers" to earn great wealth, whereas decent people are left by the wayside.

**6. Do you think that people in our country get rich mainly dishonestly?**

	Paternalistic Type	Liberal Type
	(in percent)	
Yes	92	68
No	8	32

The indicated differences between the paternalistic and the liberal types justify the contention that the intellectual anchoring of respondents is equally as important as the size of their actual incomes. Cultural capital, in the sense of certain essential characteristics that find application under competitive conditions, individualism, and greater flexibility, the ability to achieve orientation and reliance upon one's own common sense, and so forth, makes it possible for them to more easily accept the new criteria of efficiency and to better orient themselves in the new and unstable situation, which is indicated by the fact that 76.4 percent of all authorizations for engaging in private business activities are held by liberal types.

### The Size of Property

Although it could seem that the size and character of property owned by citizens has the same influence upon their views and attitudes as do their actual incomes, the importance of acquired property is smaller. Differences in the amount of property or, rather, in the amount of its financial (and thus estimated) expression are discernible but are not bipolar in nature (see Tables 7 and 8).

**Table 7**  
**Comparison of Types and Estimated**  
**Financial Value of Property**

Estimated Financial Value of Property	Paternalistic Type	Liberal Type	Population in General
50,000-199,000 korunas	35	20	28
200,000-499,000 korunas	35	32	35
500,000-999,000 korunas	20	33	25
1 million or more korunas	10	15	12

**Table 8**  
**Breakdown of Ownership by Type**

	Paternalistic Type	Liberal Type
Owners of single-family houses	41	59
Owners of automobiles	38	62
Owners of weekend houses and cottages	38	62
Owners of apartment houses	25	75
Owners of fields and forests	37	63
Owners of small businesses	25	75

It can thus not be fully stated that the dispute between the "paternalists" and the "liberals" was merely a conflict between those who are richer and those who are poorer and that the paternalistic type is the credo and image of people on the fringe of society with incomes that barely suffice for survival. A role is played here by additional differences, which are, at the very least, of equal magnitude, in terms of other than material social characteristics.

It is possible to express the view that liberalism is more the creed for people who are individualistic and active and only later successful and satisfied.

In our environment, state paternalistic views are a manifestation of traditional social-democratic thinking, but today this thinking is also interfered with by an element of disorientation and by a shortage of some personal characteristics.

Even if the connection between the subjective economic situation of the respondents and their views cannot be denied, the impression arises that this connection is merely being brokered by a kind of "cultural multiplier," which, to a certain extent, is independent of the economic situation of the individual.

### How Will Capitalism Look in Bohemia?

In view of the fact that the actual restructuring of the economy has not yet begun in full measure and because we are in a situation in which the conduct of all participating entities (enterprises as well as individuals) must undergo change, a sober evaluation is appropriate. The majority of the "at risk" population is found in the state and cooperative enterprises that have yet to take the most important steps. We shall see whether economic necessity will compel citizens to activate their individual efforts or whether it will lead them to greater dissatisfaction. The transformation process will be highly dynamic in nature. It can be dynamic in the direction of a truly "capitalist" capitalism. However, in the event developments do not move swiftly in the direction of obvious economic growth, "capitalism without attributes" will have problems in this country involving the assurance of a conflict-free existence. As has also been shown in the case of the life failures of individuals, a significant number of them (in the Czech Republic, they could number approximately 40 percent of the population) exhibit a tendency to blame the economic and the social system.

### \* New Year Small-Business Tax Shock Examined 93CH0298A Prague SVET HOSPODARSTVI in Czech 23 Dec 92 pp 1-2

[Article by Karel Machala: "Direct Taxation—Some Will Make Money, Others Will Lose—The Greatest 'Tax Shock' Will Be Felt by Individual Small-Business Entrepreneurs"]

[Text] *The change in the tax structure will be accompanied by the change in the direct tax burden for various strata of the population and for business entities. Some will do better, some, on the other hand, will do worse, and the number of tax rates will be reduced. In taking a look at the taxation system as a whole, it is possible to state that the burden will shift from direct taxes to indirect taxes. However, not all groups of the population will feel the impact of the shift in the tax burden. The burden will increase most for small-business individuals and other self-employed individuals; it will decline the most with respect to large enterprises in domestic hands, recorded in the Commercial Register. Tax changes will most certainly*

*have their impact on the further development and structure of the economy. Let us look at them in more detail.*

Most large enterprises have thus far been paying a 55-percent tax on profits and a 50-percent tax on the volume of wages (with the exception of municipal mass transportation enterprises, spas, cultural enterprises, and some others, whose wage tax ran between 10 and 20 percent). Assuming an otherwise unchanged economic situation for the enterprise—in other words, stable costs (apart from the above-mentioned taxes) and yield—the tax situation of this type of enterprise will improve by 10 tax percentage points and, moreover, would improve by 14 tax percentage points with respect to the tax on wages. Stockholders can profit from this situation (higher dividends, higher investments), employees can benefit (through higher wages), and the involuntarily unemployed, as well (a higher demand for manpower in view of the overall lowering of labor costs because of insurance rates that are lower than the tax rate), or consumers can benefit (lower costs can be reflected in lower prices), or each of these groups simultaneously or in part. In the event a capital market were to exist, the approval of this legal arrangement would be reflected in the growth of stock prices by about one-fifth, merely because of lower profits taxes. Something further would be added to this situation by lowering labor costs, but this influence depends on the share of labor in the creation of production in any particular enterprise. With respect to enterprises that have hitherto had to pay 10-to-20-percent taxes on the volume of wages, it will be a matter of finding out whether the increase in labor costs (from 110 to 120 percent of wages to 136 percent of wages) will be compensated for by a decline in taxes. In any event, their labor costs will rise, which will mean pressure to restrict such costs (or rather the hiring of fewer employees); it will result in pressure against wage increases, lower profits, or higher prices. The final influence upon the income situation of such an enterprise will depend on the share of the labor cost in overall costs and upon the volume of profit as a ratio with respect to costs (profitability). The same is true (but in an opposite way) for enterprises that have foreign property participation that is recorded in the Commercial Register (and for which more than 30 percent of capital originates abroad). Although these enterprises will have lowered labor costs (from approximately 150 to 136 percent on the volume of wages), their income taxes will be increased. The advantages they have enjoyed hitherto will be eliminated so that, instead of a 40-percent tax on profits, they will be paying 45 percent, just like domestic enterprises (recorded in the Commercial Register). Private enterprises, local enterprises, cooperatives, and some other enterprises (recorded in the Commercial Register) were paying a so-called income tax, which, apart from the current rate of 55 percent, was also set at 20 percent for enterprises that had profits of up to 200,000 korunas [Kcs]. Small enterprises in this group will suffer a sharp change in their income situation. The more than doubling of the tax will clearly not be compensated for in the majority of these enterprises by lower labor costs (much

the same as was the case in previous instances). For agricultural enterprises, whose tax burden will also be lowered to 45 percent, this lowering represents only a 5-percentage point decline because, hitherto, they enjoyed an advantaged rate of 50 percent (instead of 55 percent). What is more, some agricultural enterprises even enjoyed a 20-percent tax rate on the volume of wages paid. An additional hitherto independent group is represented by enterprises in the housing and catering services industry, for which the taxes were applied in cascade form, ranging from 10 percent to 55 percent.

White-collar employees will be taxed at the same rates of income tax as other individuals (in other words, the existing discrimination by age and, in part, even according to the number of dependent individuals), with the proviso that part of the insurance payments will be paid for them by the employer. In fact, the entire weight of the tax burden is also borne by the employee because, for the businessman, the decision to hire or not to hire and the amount of wages to be paid is dependent not on the amount of wages but on the overall cost of labor—in other words, wages plus insurance premiums (see Table 2). Total labor costs for large enterprises are generally lower, but some will also rise (see above). In the table, we compare wages, total labor costs, and net income at various levels, under various conditions. From this, it is clear that, if an employer were to pay the total labor costs involved in one employee instead of making the employee available to some businessmen (perhaps even an employee transformed into a businessman), the total final net income, thanks to the varying arrangement of the amount of insurance premiums, would be higher for the businessman. If the businessman were to pay 31.5 percent of this amount as insurance, then the employer and employee together would pay approximately 36.5 percent of the insurance premium per employee (if we add the payment made by the employer and if we divide the resulting insurance premium by the total labor costs per employee). However, this advantage disappears if businessmen invest part of their income. He is charged an insurance premium based on the overall invested amount minus the annual write-off, so that this undoubtedly reduces the amount of resources acquired in the previous taxing period that he can reinvest.

Nevertheless, the greatest "taxation shock" (in view of existing rates) clearly impacts on small individual businessmen and other self-employed persons. Although their income tax burden will not grow (with respect to income levels, it may even slightly decline), the rates for so-called social and health insurance will rise substantially (hitherto, a monthly payment of Kcs500 was mandatory). Also, labor costs will rise from the present 125 percent of wages to 136 percent of wages, which will have similar effects as have been described above.

However, let us pause to consider social and health insurance in more detail. A natural fact, this is not insurance in the true sense of the word but, rather, an additional income tax. The current insurance means the depositing of a certain amount voluntarily with the insurance institution on the basis of an agreement in anticipation of an agreed-upon settlement in certain cases. This is a free agreement between the parties in which one gives up interests for the amounts deposited, or perhaps gives up part or a whole of the deposited amount, and the other side pledges to undertake certain insurance settlements under specific circumstances. But social and health "insurance" is not only not voluntary, and not even the amount of the payment is determined by the market, the payer is deprived of the entire payment, and the quality of services rendered in non-market conditions can be problematic. Much the same is true of taxes. In this case, the higher the income, the greater the contribution (with the exception of annual incomes over Kcs540,000, for which the insurance premium no longer changes, the assessment is 31.5 percent on Kcs540,000—in other words, Kcs170,100), yet the quality of insurance services remains the same, without regard to the actual amount of "insurance premium" paid. In other words, this is ordinary proportional supplemental taxation, in both the case of businessmen and the cases of some other individuals. Each payer creates an insurance fund for others. For example, in the case of old-age pensions to be paid to today's payer in the future, that pension is dependent upon the willingness of future generations to agree to the same system regarding today's payers. In other words, we are looking at the absolute separation of payers and recipients. The "insurance premium" is also a supplemental tax because it is collected like a tax (it is compelled by law), and it is utilized like a tax—not directly, in the state budget, but in a separate special-purpose minibudget.

Our Table 1 shows the actual taxation of the income of a self-employed person. If the social security insurance premium is set by law at 36 percent of one-half of the profit of a businessman (humanely stated, that is 18 percent of the profits), and the health insurance premium is set by law at 13.5 percent of the profit, the total tax burden on the income (or on the cumulative total of incomes) for insurance premiums amounts to 18 plus 13.5 percent—that is, 31.5 percent. Added to this is the individual income tax (ranging from 15 through 47 percent of the income, following deduction of the paid social and health insurance). Before imposing the 15-to-47-percent tax rate, it is possible to deduct the insurance premium as an expense, which reduces these rates on the original income (from 15 percent to 10.275 percent, from 20 percent to 17.125 percent, and so forth—see Table 1).

Table 1

Tax Base Without Deducting Insurance Premium	Tax Rate	Insurance Premium Plus Tax (Tax Rate Recomputed for Orig- inal Income Prior to Payment of Insurance Premium)	Existing Tax Rates	Existing Mandatory Insurance Premium
0 to 29,781	Nontaxable minimum			
29,781 to 87,591	15%	31.5% + 10.275% = 41.775%	15%	Kcs500
87,591 to 175,182	20%	31.5% + 13.7% = 45.2%	25%	
175,182 to 262,773	25%	31.5% + 17.125% = 48.625%	25%	
262,773 to 540,000	32%	31.5% + 21.92% = 53.42%	35%	
540,000 to 710,100	32%	32%	35%	
710,100 to 1,250,100	40%	40%	45%	
1,250,100 and more	47%	47%	55%	

Table 2

Monthly Labor Costs (Wages Times 1.36)	Gross Wages	Wages After Payment of Insurance Premium but Before Taxation	Net Wages <sup>1</sup>	Net Wages <sup>2</sup>	Net Wages <sup>3</sup>
68,000	50,000	43,250	31,770	32,026	33,050
40,800	30,000	25,950	20,006	20,486	21,090
27,200	20,000	17,300	14,108	14,525	15,400
24,480	18,000	15,570	12,870	13,245	13,860
21,780	16,000	13,840	11,565	11,940	12,470
20,400	15,000	12,975	10,925	11,285	11,785
19,040	14,000	12,110	10,260	10,580	11,080
17,860	13,000	11,245	9,595	9,904	10,445
16,320	12,000	10,380	8,910	9,210	9,690
14,960	11,000	9,515	8,205	8,505	8,945
13,600	10,000	8,650	7,520	7,810	8,215
12,240	9,000	7,785	6,835	7,110	7,485
10,880	8,000	6,920	6,130	6,365	6,740
9,520	7,000	6,055	5,410	5,635	6,010
8,160	6,000	5,190	4,680	4,905	5,190
6,800	5,000	4,325	3,939	4,160	4,325
5,440	4,000	3,460	3,205	3,430	3,460
4,080	3,000	2,595	2,475	2,595	2,595
2,992	2,200	1,903	1,873	1,903	1,903

Notes:

<sup>1</sup>Net wage for taxpayer with no dependents

<sup>2</sup>Net wage for taxpayer with one child

<sup>3</sup>Net wage for taxpayer with four or more children and a spouse whose annual income does not exceed Kcs20,400

The undesignated numbers in both tables are amounts expressed in Kcs.

Nevertheless, the total tax burden is at a level virtually one-half or more than half of the income. In the extreme case, it can even reach 100 percent of income pertaining to the lowest income group. The reason is simple: Overall insurance cannot decline below Kcs990. However, this will no longer apply after the amendment that could come about by the time this article is published. That is why Table 1 does not show the influence of the

minimum insurance premium (it would apply to the first two figures). The individual brackets are recomputed from net income brackets (in other words, from brackets following the deduction of social and health insurance premiums, which are brackets from Kcs0 to Kcs60,000, Kcs60,000 through Kcs120,000, Kcs120,000 through Kcs180,000, Kcs180,000 through Kcs540,000, Kcs540,000 through Kcs1.08 million, and more than

Kcs1.08 million) in terms of income before deducting the insurance premiums. Moreover, we broke the first bracket into two brackets limited by the nontaxable minimum, which amounts to an annual amount of Kcs20,400, which is again recomputed in the table in terms of income before deducting the premium.

Table 1 shows the taxation according to annual income volume. The law stipulates that income from various activities is taxed only after these incomes have been totaled. This is constructed in such a way that every volume (Column 1) of total income is taxed at a different tax rate, every tax rate is only an outline rate. In other words, without regard to the volume of income, any income up to Kcs2,400 (before deducting the insurance premium, this is Kcs2,400 plus the insurance premium) is not taxed (the so-called nontaxable minimum), another portion is taxed more, an additional one even more, and so forth. As of next year, the nontaxable minimum will be higher than it has been thus far. Whereas last year and this year an individual businessman could deduct Kcs1,200 a month as a nontaxable minimum, as of next year, this amount will rise to Kcs1,700 (and, naturally, it is no longer only the businessman who will be able to deduct this amount from his tax base; all other taxpayers will be able to deduct this amount from private income).

If our economy today has many successful business people who began from zero, it is thanks to the fact that they persevered and frequently prevailed in the face of beginning low incomes and did not let themselves be discouraged by their failures. The lower limit of the insurance premium (in the event it is not done away with by the amendment) would result in an essentiallyressive tax (in other words, the lower the income, the higher the tax rate) for the lowest incomes and for incomes barely above Kcs540,000. For example, a monthly income of Kcs990,000 would virtually be taxed at 100 percent of the tax rate, whereas double that amount of income would be taxed at only 50 percent, and so forth. This did not help beginning businessmen overly much and obviously would have discouraged many of them from beginning any business activities as their principal activity. Many people would probably be discouraged and would stop their activities even before any initial positive results were to show up. A more difficult approach by new business entities into the market carries with it additional serious dangers—a higher danger of monopolization (more precisely, the danger of oligopoly) of the market and, thus, even a higher price level. If supporting a status that is closer to complete competition is the best support for economic growth, this method of insurance does not help this development at all. The system also has other negative characteristics: High tax rates result in great effort with regard to tax evasion of all types, which, in turn, give rise to inequality of conditions among those taxpayers who partially or completely evade taxation and those who file everything honestly. However, the number of “quasi-sick” or “occasionally unemployed” pseudobusinessmen—in other words, the

number of those who will abuse the system—will rise. Anyone who abuses the system will have the advantage that he receives pay and, at the same time, pays nothing himself. This means additional demands on expenditures and, thus, on incomes. And, because someone must support the entire system in its function, this means demands made on servicing expenditures, which are inevitably accompanied by a growth of bureaucracy in the case of nonprivate institutions.

Counterpressure on the part of businessmen and some politicians (particularly those from the ODA [Civic Democratic Alliance]) subsequently led to a proposal to amend the insurance law that now has some hope of being passed.

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P.S. After this issue of SVET HOSPODARSTVI was put to bed, the following developments were noted: The proposed amendment of the law anticipates the lowering of the insurance premium (Table 1) from 31.5 percent to 24.75 percent of income. This will also change the tax rate, which is recomputed in terms of the original income (Table 1, Column 3) to 36.13 percent for the 15-percent rate, to 39.8 percent for the 20-percent rate, to 43.5 percent for the 25-percent rate, and to 48.8 percent for the 32-percent rate.

#### \* Expected Price Increases in 1993 Viewed

93CH0297A Prague MLADA FRONTA DNES in Czech  
18 Dec 92 pp 1, 14

[Article by (mrs, tma): “Estimate of Price Increases for Next Year”]

[Text] As a result of the introduction of a new taxation system, the level of consumer prices in the Czech Republic will increase by approximately 6 percent beginning next year. This was announced yesterday by Jan Klak, the federal minister of finance. An additional impulse for price increases, however, will also be provided by changes in the regulation of prices pertaining to some products—for example, as of 1 January, maximum prices for solid fuels will be increased (15 percent), the price of heat (15 percent), prescription drugs (13 percent), and, as of 1 April, it is expected that tariffs for passenger railroad transportation will rise by 50 percent, those for regular bus transportation by 40 percent, the price of electric energy for small consumers by 40 percent, the price of gas by 25 percent, telecommunications fees by 6.5 percent, and, finally, the maximum cost of net rentals by 40 percent. According to Minister Klak, however, there will also be a factor that could lower prices somewhat: There will be lower taxes on wages required of entrepreneurial entities.

According to Minister Klak, the new taxation structure will result in an increase in food prices and prices of the foodstuffs industry by 5.2 percent, the cost of industrial goods will rise by 1.7 percent, those of fuel (not counting the impact of price deregulation measures) would

increase by about 5 percent as a result of taxes, and the cost of services would rise by approximately 12.3 percent. However, the minister noted that the computations done by the Federal Ministry of Finance were worked out on the basis of prices in effect during the first half of 1992.

The Federal Ministry of Finance computations indicate (while adhering to a commercial spread of 20 percent) that the price of beer should rise by 17 percent, at the maximum, the price of motor fuels by 10 percent, the price of wine by 20 percent, the price of alcoholic beverages by 17.5 percent, and the price of cigarettes by 12.2 percent. On the other hand, the prices of coffee and tea could be lower (in both cases, more than 20 percent), the prices of gold and other jewelry products (by virtually 15 percent), and so forth. "To the extent to which anyone became confused and invested money in jewelry before the end of the year, they probably did not do well," noted Minister Klak.

Generally, beginning next year, the price of tires should be about 5 percent lower, as should the prices of the soap

industry, polygraphic products, and ready-to-wear and textile products. Price declines of 5-10 percent could be introduced by sellers of costume jewelry, photochemical products, curtains, knitted products, and knitted ready-to-wear clothing. A maximum 5-percent increase should be evident with respect to electric appliances, lighting fixtures, clocks and watches, television receivers, radios, cameras, ceramic products, glass products, porcelain, wood furniture, paper, tapestry, footwear, energy, and so forth. Compared with prices valid for the first half of 1992, construction materials, matches, and caskets will undergo a price increase of approximately 15 percent. A more than 20-percent price rise is in the offing for restaurant services, freight highway transportation, the smallest sizes of children's shoes, towels, cotton wool and bandaging materials, toys, social games, salt, and so forth.

Jan Klak noted that the organs of the Czech Ministry of Finance will be prepared to effect extensive price savings, which will be aimed at any possible misuse of the monopoly or dominant position in the relevant market.



**\* Szabad Views Hungarian-Slovak Relations**

93CH0326A Bratislava SZABAD UJSAG in Hungarian  
10 Jan 93 p 3

[Interview with Gyorgy Szabad, speaker of the Hungarian National Assembly, by Peter Miklosi; place and date not given: "Joint Interest"]

[Text] [Miklosi] Mr. Speaker, since 1 January, Hungary's northern neighbor is no longer Czechoslovakia, but Slovakia, which has become an independent state. How do you think the Hungarian public has responded to this change?

[Szabad] I think that this change was not a surprise in Hungary. I am convinced that this transformation will not increase our distance from the Czech Republic, and our relations with them will now appear clear and unequivocal. This is definitely positive. The way in which Hungary views the appearance of the independent Slovakia has historical aspects as well as aspects of current politics. With respect to history, let me cite Kossuth [19th century Hungarian politician, leader of the 1848 revolution and ensuing civil war], who is perhaps less well known in Slovakia than would be warranted. He said 120 years ago that it is partially the work of history, and partially that of God, which nations and which peoples become neighbors. Then he added: It is, however, one's own responsibility how this neighborhood is shaped. At that time, while admonishing the political leaders of dualist Hungary, he clearly pointed out that it is also their responsibility what kind of a relationship they will have with the neighboring peoples, nations, and states. I think there is a historical realization here which gets at the heart of the matter. Namely that like it or not, it is always the responsibility of the current generation and its political leaders how they construct their relationship with their neighbors. And this, in turn, is current politics itself, because the neighbor, whose status has changed in terms of constitutional law, is the same as the old neighbor; after all, the Slovaks were the neighbors of Hungary, of the Hungarian nation, even as part of Czechoslovakia. We have been living together here in Central Europe, and we will continue to do so, albeit the responsibility of both parties will be even greater. This is why it is important for bad interactions to be replaced by good ones.

[Miklosi] In your opinion, what would be the most practicable plan to achieve this?

[Szabad] Trust! On Hungary's part, with an increased sense of responsibility, one ought to achieve that the smaller neighbor that found itself in an altered position should not feel that Hungary wants to obtain undue advantages, or even wants to exert pressure on Slovakia. On the other hand, we hope that the leaders of the new Slovakia and the masses who possess sound political judgment will look at the circumstances emerging in the transformation of Europe, and will realize that there is an important joint interest here. It is also in Slovakia's essential interest to make the process of stabilization and

democratization in the aspects of the region in which it is involved as clear as possible for the broadest possible environment. This is what the much more developed West regards as a prerequisite for granting international confidence, financial support, and political acceptance, which are necessary for the creation of a new state. Although it is not quite detached from the precedents, Slovakia is now beginning an entirely new chapter in its history which will hopefully have fine prospects. It must make this clean slate attractive in a very clear way that takes European norms into consideration. In the case of Slovakia, beyond the obligatory adherence to international norms which apply to every state, the area which the West is observing with perceivable interest already is the issue of the coexistence of ethnic groups and minorities. I suppose it is self-explanatory that for us the prerequisite for trust and our support of international acceptance is the fate of Hungarians living within the borders of Slovakia, the assertion of their minority rights. For this reason it is important that declarations be clear, and their enforcement in reality be even less subject to misinterpretation.

[Miklosi] In the last months of Czechoslovakia's existence, opinions could be heard in both the Czech Republic and Slovakia that Hungary could meet the fledgling Slovakia with unfriendly gestures. Apprehensive people mentioned even the danger of border revisions, saying that since the Trianon peace treaty, Hungary entered into every applicable contract with Czechoslovakia which ceased to exist on 31 December 1992. As a Hungarian from Felvidek ["Upper Country"—northern Hungary until 1920, now Slovakia], I think this is an issue where it is necessary to show one's colors openly.

[Szabad] Let me say as the elected speaker of the elected Hungarian Parliament that I know of no political force which expressed such wishes or such demands. In my opinion, one must not confuse the worries some people have with a realistic factor of politics; thus, it is unnecessary to burden the Slovak-Hungarian relationship with such fears.

[Miklosi] Concerning my everyday encounters, I would like to mention that among the Slovaks many believe that by making borders unsubstantial and permeable, Hungary is striving to attain a certain amount of added influence in the interests of minorities beyond the borders. Mr. Speaker, what is your opinion of this issue?

[Szabad] Again, we find ourselves in the realm of speculation. Reality, on the other hand, is that Hungary has an eye to the developments in Western Europe in this respect, as well. Thus, when we mention making borders unsubstantial as a realistic goal, we are thinking of examples such as the German-French border, which used to be characterized by unfriendliness and ruthlessness on both sides. By now, this border has undergone a historically perceptible, serious transformation. I think it is important to point out that it would be naive to expect that the separating and impermeable borders which

characterized Stalinist times could suddenly be transubstantiated into lines found only in geography books. However, on the long run we indeed hope that the significance of strict borders will be diminished in the future, in conformity with current Western European developments. Of course this cannot mean that one party could attain a role of interfering in the internal politics of another country.

[Miklosi] It is frequently heard in Slovakia nowadays that the mother country wishes to attain additional rights for the minorities beyond its border while not granting the same to the Slovaks living in Hungary. In your opinion, what does the Hungarian Republic have to do to smooth away the rough edges of the Slovak-Hungarian relationship?

[Szabad] I honestly believe it when I say that Hungary can never be indifferent to the fate of Hungarians living beyond its borders, just as Slovakia is not indifferent when it brings up the problems of Slovaks living in our country. This is the way it should be. Thus, we are interested and rightfully consider it important for Hungarians to possess human and minority rights everywhere which are due to every person according to the threshold of European norms. On the other hand, in the Minority Bill, which is still in the final stages of preparation, we are attempting to grant in a really judicious manner the widest range of rights to ethnic minorities who live in Hungary in relatively small numbers, and mostly in disassociated groups.

[Miklosi] Mr. President, please do not take it amiss if I add that even for a reporter used to the patience-of-Job characteristic of minorities, this bill is as slow in its preparation as St. Lucy's chair [stool slowly made from 13 to 24 December for superstitious purposes on Christmas night].

[Szabad] It is possible that looking on from the outside, one might have this impression. However, the reason is not indifference to the fate of minorities; on the contrary, it is the intent of thoroughness. The main reason for the delay which results in impatience is that we must come to an agreement with parties who are arguing among themselves, and who question each other's competence. Newer and newer organizations demand the right to more or less intervention. Another, not less objective difficulty is that we must find not only the generally implementable norms, that is to say, the best minority norms of Europe, but also the practical possibility for these rights to be implemented in communities which live dispersed and sometimes represent only extended families.

[Miklosi] In Slovakia, the accusation is frequently heard that Hungary essentially waited for the moment when ethnic minorities are present in its territory only in disassociated groups; additionally, with the long labor of this bill, it only wants to irritate its neighbors, while it has already played its game to the end with the ethnic minorities living in Hungary....

[Szabad] Let me tell you that even in the previous decades only a limited number of ethnic minorities lived on the territory of Hungary. In this respect, the two-and-a-half-year-old Hungarian democracy has nothing to be ashamed of, since this time was everything else but a period of assimilation.

[Miklosi] And before?

[Szabad] In the various time periods, intentional assimilation took place everywhere in Central Europe on the part of the nation possessing hegemony. In this area, democratic Hungarian historiography has already said everything that had to be said in the way of criticism or self-criticism. Let me add—and I am saying this as a historian rather than a politician—that looking back at the last one and a half centuries in the history of the Carpathian basin, the linguistic boundary between Hungarian and ethnic minorities has hardly moved, or when it did, it was mostly to the detriment of Hungarian. This fact, reflected in the objective working papers, shows that the majority of accusations voiced by censorious representatives of the neighboring peoples are exaggerated. At the same time, it is characteristic not only of Hungary, but of every country of the world that the assimilation of dispersed minorities is relatively fast. Ethnic minorities could and can only preserve their ethnic identity in ethnic blocks, unlike people who found themselves in the midst of a foreign language by voluntarily moving into a city, settling previously uncultivated lands, or settling elsewhere. About this one can hardly say more than that the determining factors are the stability of the linguistic boundary and the just enumerated characteristics. In my opinion the attempts of the Hungarian democracy are pro-minority, because ethnic minorities in Hungary have never had as many independent organizations as after the change of regime following the downfall of communism. This change can be pinpointed in every area of public life. Of course, any demand can be amplified, and I cannot find fault with that. On the contrary! I hope the impending legislation will reflect this, as well.

[Miklosi] Impending? What does this mean in reality?

[Szabad] I hope very much that it will emerge in the first quarter of 1993. I can already say in advance that the bill was received extremely positively by the most divergent international forums to which we submitted it for discussion.

[Miklosi] Mr. Speaker, why is it that nationalism has raised its head so emphatically in the currently forming democracies? Is it really only due to the peculiar atmosphere of the Stalinist period that so far all of this remained under the surface?

[Szabad] Look, when one brings sealed wine-bottles full of aged wine up from the cellar, the excellent odor of aged wine will waft through the room after the seals are broken. If, however, there was a bottle housing an evil spirit, then we can be sure that the evil spirit will be released from this bottle full-grown. I only used this

metaphor to demonstrate that it is a natural endeavor of every nation to bring its own national values to the surface; at the same time, it is up to the ability of every nation to distinguish the good spirits from the evil ones. Moreover, to treat them accordingly. Thus, both as a historian and as a politician I think that the consistent patriot is able to conquer chauvinism both in Hungary and in every other country of the region. Thus, the protection and guarantee of rights is a natural endeavor of nations, while the deprivation of rights and the coercion of advantages in the shadow of historical changes will obviously heighten chauvinist features present—or just arising—in the other nation. I think patriotism is not a hindrance in the coexistence of peoples, because for a patriot, the patriotism of another is attractive, while chauvinism heightens the chauvinism of another. The latter must never gain ground.

[Miklosi] What is your opinion of the much debated issue of minority self-government?

[Szabad] I think here one must start from the essence of democracy. Let me again quote Kossuth, who in his emigration did not only come to realizations concerning minority policy, but also confirmed what he professed earlier: Democracy gets a foothold in the freedom of the individual as well as in self-administration and self-government. Without these, one simply cannot make parliamentary democracy complete. This is a fundamental question to begin with, and especially so in a place where the basic functions of democracy are joined by the protection of minority rights.

[Miklosi] Mr. Speaker, it is to be feared that by publishing your answer, the more nationalistic circles of Slovakia will accuse both you and our paper of suggesting that Hungary whispers the "blasted" demand of self-administration in the ears of the Hungarians of Felvidek....

[Szabad] All right. In that case, the Hungarians of Slovakia as well as the circles criticizing them should listen to England, to the United States, to Germany, to the Benelux states, and then I have not even mentioned the example of Switzerland where all of this has been brought to perfection. They should listen to them, because I think they will hear from them, as well, that only the implementation of the principle of self-administration can make a modern state really democratic.

[Miklosi] If you allow me to ask you a personal question, I would like to know how you feel in the currently evolving democracies of the Carpathian basin?

[Szabad] Hurt by scratches and pricks of disappointment, but with unmarred optimism. And with a very deep conviction that we are the means of the great work of recreation.

[Miklosi] In a radio interview you once said that you like to tell stories to your daughter.

[Szabad] Since then it is the other way round. When I am tired, nowadays it is rather my daughter—who for my age could be my granddaughter, but this is the way it happened—who tells me stories.

[Miklosi] Thus, did Gyorgy Szabad become a prisoner of politics?

[Szabad] No, I am not a prisoner of politics, but this job is becoming more and more exhausting. Of course this is not a complaint, I only mention it as a fact, since you asked.

[Miklosi] Mr. Speaker, regarding realities, we have the Gabcikovo dilemma; the new Slovak constitution, which is not the most successful one; the increasingly heightened problem of Hungarian place-name markers, and I could go on and on.... Do you believe in a Slovak-Hungarian compromise?

[Szabad] I believe in a Slovak-Hungarian agreement.

[Miklosi] Are you avoiding the term "compromise" on purpose?

[Szabad] Yes, because I wish for a clear, democratic agreement between partners of an equal status, between Slovakia and Hungary. I am convinced that we will get there, because this is in the interest of all inhabitants of both countries. And I regard this as a factor which will succeed by virtue of its own objective energy in forcing those in whom the vestiges of old prejudices are perhaps still extant.

[Miklosi] In your opinion, do we have to measure the road leading to this agreement in years or in decades?

[Szabad] Both, because processes that influence the spheres of society and consciousness are only evident in the large spans of history. Of course, these large spans can be divided into smaller segments, and so we have both the everyday possibility and the long-term task. Let me again bring up Kossuth, who said, getting at the heart of the matter: We have been neighbors, and we will remain neighbors; it depends on us and our sense of responsibility, what kind of neighbors.

[Miklosi] Thank you for the interview.

#### \* Konya: MDF Seeks Improved Press Relations

93CH0343A Budapest NEPSZABADSAG in Hungarian  
28 Jan 93 p 4

[Unattributed article: "Konya: A Middle-of-the-Road Policy Is Mandatory"]

[Text] "We too harbored suspicions about you, and that in its turn generated more suspicion on the part of the press about us," Imre Konya told journalists during his Wednesday press conference, where he outlined the plans of the MDF [Hungarian Democratic Front] caucus for this year. But he was actually announcing the MDF's

new press policy. He promised that the MDF would strive to establish much better relations with the mass media in the future.

According to the leader of the MDF caucus, "whether we like each other or not, we all are in the same boat," and without the help of the press it is not possible to involve the public in the process of society's transformation. Everyone must understand the changes, and realize that we can introduce them only jointly. "Society is being transformed for the benefit of the people, but the transformation cannot proceed without them," he said, and promised that the press could expect maximal information input if it reported the news without distortion. Responding to a question in this context, Konya said that the MDF caucus would consider holding more caucus meetings that are open to the press.

Commenting on the party's national convention held at the weekend, he said that the MDF has decided to pursue a uniform middle-of-the-road policy, and that the pertinent resolution would be binding on every politician. In response to a question, Konya said that the caucus had no say in reshuffling the cabinet, because that was the prime minister's prerogative. However, Jozsef Antall would obviously consider MP's for cabinet posts, on the basis of their individual performance. Responding to yet another question, the caucus leader emphasized that it would be a violation of the freedom of the press if, after the media bill's defeat, frequencies were not made available for local radio and television stations. About the so-called salvagers of power following the change of political systems, he said that "not everyone who has become rich is salvaging power," but he understood why the rich are irritating many people within society. "We must strive to ensure that personal enrichment proceeds lawfully," he said.

State Secretary Laszlo Sarossy (Ministry of Agriculture) promised at the press conference that there would be no shortage of any staple foods this year.

**\* Opposition Denied Role in Frequency Allocation**  
93CH0340A Budapest NEPSZABADSAG in Hungarian  
18 Jan 93 p 1

[Unattributed article: "Kulin: The Opposition Has Excluded Itself From the Allocation of Frequencies"]

[Text] "By torpedoing the media bill, the opposition has excluded itself from any say in the allocation of frequencies," declared Deputy Ferenc Kulin (Hungarian Democratic Forum) on Hungarian Radio's *Vasarnapi Ujsag* [Sunday News] program. He is the chairman of the National Assembly's Cultural Committee.

As reported in the Saturday issue of our paper, State Secretary Tamas Katona of the Prime Minister's Office has made a statement to the effect that a committee ought to be formed that, under suitable public scrutiny, would review impartially the applications for frequency allocation. On Sunday afternoon we asked Kulin

whether he saw any contradiction between the state secretary's statement and his own standpoint.

According to Kulin, the media bill would have given the opposition parties a say, on a proportional basis, in the allocation of frequencies. By voting down the bill, the opposition has lost that opportunity. It is neither necessary that the parties should delegate the members of the impartial committee, nor is their right to do so guaranteed, Kulin said. Decisions made by the six parties on the basis of parity have been encountering criticism lately on two counts, continued the chairman of the Cultural Committee. On the one hand, independent MP's have been objecting that the decisions, instead of being impartial, are based actually on pacts between or among political parties. And on the other hand, in its second media decision the Constitutional Court has made abundantly clear, in conjunction with the supervision of the Radio and Television Offices, that giving the political parties representation is not the same as impartiality. An impartial committee would have to be based on a much broader social foundation.

In conclusion the MP said that he did not know who would be on the committee that is to decide the allocation of frequencies.

Commenting at his own press conference yesterday afternoon on Ferenc Kulin's pronouncements, SZDSZ [Alliance of Free Democrats] President Ivan Peto said: "Anybody who believes that the opposition must be punished when a legislative bill fails to win passage still has a lot to learn about democracy. Anyone attempting to make the decisions in the matter of frequency allocations would be acting unlawfully."

In the party president's opinion, the allocation of frequencies should be handled separately from the media issue. There has already been a compromise on that issue, and that compromise could now be revived.

**\* BBC Spokesman Refutes Katona on Ethics Code**  
93CH0343C Budapest NEPSZABADSAG in Hungarian  
28 Jan 93 p 3

[Article by Veronika R. Hahn: "The BBC Does Not Clock Air Time With Military Precision"]

[Text] A few days ago our paper published a comment by State Secretary Tamas Katona that, according to the BBC's *Code of Ethics*, our political parties ought to have access to the public-service electronic media in proportion with their showing in the last elections.

Our London correspondent asked Colin Sembroak, a senior executive of the BBC World Service, just how valid is the Hungarian state secretary's "arithmetic" within the BBC. Mr. Sembroak replied—and the BBC guidelines *Politics and Politicians* also bear him out—that neither during election campaigns nor between

elections do strict mathematical principles apply to the air time made available on radio and television to the political parties.

Section 93 of the 1983 Popular Representation Act regulates the principles of providing air time during election campaigns (in parliamentary elections, by-elections, and elections to the European Parliament), in order to enable the political parties to broadcast information. Before parliamentary elections the political parties are allotted extra air time to broadcast programs that they themselves produced. When elections fall due, a Committee on the Parties' Political Programs determines how many times the individual political parties may appear before the public. (There are no paid political commercials in Britain.)

There is no exact mathematical formula for allocating air time to the individual parties' political programs. The BBC would not consider it fair to base the allocation of air time on the results of the last election, because substantial political changes may have taken place since then. Thus, even though the Conservatives had a significant parliamentary majority since 1987, in 1992 both the Tories and Labor were allotted five program slots each. This same balance asserts itself in the distribution of the programs on party politics that are broadcast several times each year, as well as in routine coverage of domestic political events. The BBC deems it desirable to have the most competent political leader or minister speak out on each important issue. On a subject that is within the competence of parliament or of the cabinet, for instance, first the official standpoint is presented, and then Labor's or the Liberal Democrats' shadow minister or expert is given his say. And if the starting point is criticism of the government, the Labor Party's or the Liberal Democrats' standpoint is presented first, and then the government is requested to state its view.

Occasionally the government may be unwilling to adopt a standpoint. In such cases the BBC will note that there was no omission on its own part. That is practically the only instance when the public-service medium provides an explanation. Although it is not mandatory to invite MP's to topical programs, their participation is both desirable and necessary for the program's success.

The BBC also takes care to provide coverage also of distinctly contrasting views within the individual political parties. A fundamental principle of the BBC's topical programs—and this has not changed since 1920—is that the BBC never comments, never "makes" news, only reports events and outlines the different standpoints. The rules also specify that the use of political "labels" is prohibited. (Such as "moderate" or "extremist," for instance.) Descriptions must accurately reflect the standpoints of individuals, groups, or political parties, so that nobody will be left with the impression that his standpoint has been misinterpreted.

Colin Sembroak concluded his statement by saying that the BBC, as a public-service medium, takes great pains

to preserve its independence and to avoid possible accusations that it is relaying government policy. Thanks to this fundamental principle, the BBC's *Code of Ethics* is being regarded as a model by numerous countries throughout the world.

#### \* Radio Vice President Predicts Personnel Changes

93CH0343B Budapest NEPSZABADSAG in Hungarian  
28 Jan 93 p 4

[Interview with Laszlo Csucs, vice president of Hungarian Radio, by Gyor County correspondent Ferenc Hajba in Gyor on 27 January: "Laszlo Csucs on Hungarian Radio's New Programming Structure"]

[Text] *Radio Gyor went on the air for the first time 40 years ago. At the ceremonies commemorating that anniversary yesterday, Hungarian Radio's Vice President Laszlo Csucs called the provincial editorial offices integral parts of public radio. The vice president, who is also acting president, answered our county correspondent's questions about the development of Hungarian Radio's new programming structure.*

[Csucs] The role of the provincial editorial offices has become more important. We would also like to beef up our programs for ethnic minorities. The Language Charter, to which Hungary has acceded and which parliament is expected to ratify in May, provides a good foundation for this. We expect provincial studios to maintain regular contact with the Hungarian-language transmitters operating abroad.

[Hajba] With their technology that qualifies for a place in some museum, the provincial studios will be hardly able to satisfy these requirements, especially the studios that have few listeners on their present frequencies or under their present broadcasting schedules.

[Csucs] I will not rule out the possibility of significant changes in that respect.

[Hajba] Speaking of changes. Hungarian Radio introduced a new programming structure in January 1992. What warrants the complete revision of that structure now, one year later?

[Csucs] Hungarian Radio's audience rating has declined significantly since January of last year. Therefore, a comprehensive reassessment has become necessary. Already Csaba Gombar decided to introduce minor changes. I have never considered those changes to be adequate. Programs that have no listeners must be scrapped. The results of the latest opinion polls confirm my view that the internal ratio of programs has become distorted. Two-thirds of the programs provided music in the past, and only a third was prose. Now the ratio is reversed. Moreover, a significant proportion of the programs in the latter category discusses politics or sometimes plays politics. I concede that a higher proportion of such programs was necessary to satisfy the increased

interest in politics following the change of political systems. But today the public wants to hear less about politics on radio.

[Hajba] The demonstrable popularity of "168 Ora [168 Hours]," or specifically of "Vasarnapi Ujsag [Sunday News]," appears to be in conflict with your conclusion.

[Csucs] The audience ratings of those programs are truly above average. I have never intended to scrap "168 Ora," despite rumors to that affect. But it is an entirely different matter that the dissemination of biased information and playing politics are incompatible with public-radio broadcasting.

[Hajba] When speaking of the dissemination of biased information, it is not "168 Ora" that comes to my mind.

[Csucs] Perhaps "Vasarnapi Ujsag" may also be included here. It probably represents the other extreme.

[Hajba] If you do not intend to scrap "168 Ora," and since an independent editorial team cannot be expected to start interpreting objectivity differently overnight, does that leave you only the option of personnel changes?

[Csucs] It is not suitable at all to approach this question from the aspect of personnel. All that we are attempting to do is to transform the programming structure in accordance with what our audience wants. If the government approves our draft rules of organization and procedure that have been discussed with the interest-representing organizations, operating outside the law would cease. Of course, the changes would no doubt affect the personnel as well.

[Hajba] To which let us add that you are acting in the spirit of a government resolution that is in conflict with the Constitution.

[Csucs] The Constitutional Court has not declared null and void the government resolution from 1974. That has to be recognized. And also the fact that Hungarian Radio cannot be a state within a state.

[Hajba] When will your audience be able to becoming acquainted with your new programming structure?

[Csucs] In nine or 10 weeks from now, Hungarian Radio will already be broadcasting in the spirit of its new programming structure.

#### \* Csurka Blames Press for Reporting Epidemic

93CH0340B Budapest NEPSZABADSAG in Hungarian 18 Jan 93 p 5

[Article by reporter Laszlo Danyi: "It Is Not My Fault That There Was a Hog-Cholera Epidemic"]

[Text] An article entitled "Csurka: The Press Broke the Story of Hog Cholera in Hungary," which appeared in last Friday's issue of NEPSZABADSAG, quoted also the following passage from Istvan Csurka's letter published

in the most recent issue of MAGYAR FORUM: "...and then along comes the foreign-owned press, which breaks and peddles the story of hog cholera in Bekes, one of the largest corn-growing and hog-raising counties; they did this just to ruin the meat-packing plants in the area, so that they could then be bought cheaply at auction." Csurka is by no means the first one to attack me—albeit indirectly—in this matter. I have no intention of dignifying his utterances by commenting on them, but I would like to call attention to a few facts.

1. In a report by this writer, the story about the unfortunate outbreak of hog cholera in Bekes County first appeared on Tuesday, 13 October 1992, in Bekes County's new daily, NAPI DELKELET, which is wholly Hungarian-owned. BEKES MEGYEI HIRLAP, purchased by German and Austrian interests, dwelt on this subject only on Friday, 16 October 1992.

2. Of the national dailies, PESTI HIRLAP was the first to bring this story, by publishing my report in its Wednesday (14 October 1992) issue.

3. I am obliged to reject Istvan Csurka's accusation that someone in the services of foreign capital broke and peddled the story of hog cholera in Bekes County. I take the liberty of quoting the following passages from my Korosladany interview with Dr. Geza Jeszenszky, the minister of foreign affairs:

[Danyi] Sir, the press has covered very thoroughly the recent hog-cholera epidemic in Bekes County. The Gyula Meat Packing Combine has perhaps been the most affected by it. In the end Mihaly Belanka, its director general (he has since been dismissed—ed.), accused the investigative journalists of serious professional error. What is your opinion of this? Should we have remained silent?

[Jeszenszky] Not at all. The trouble was not that the story was reported, but that a hog-cholera epidemic does or did exist. Undeniably, we had to adopt strict measures and impose restrictions. Even export has to be suspended for a time. But that is already the government's responsibility. (NAPI DELKELET and PESTI HIRLAP, 29 October 92)

#### \* Budapest's Foreign-Debt Situation Assessed

93CH0347A Budapest HETI VILAGGAZDASAG in Hungarian 30 Jan 93 p 91

[Article by Agnes Gyenis: "Hungary's Foreign Debt; The Ace Is in the Talon"]

[Text] *If per chance the internal strife of the leading government party risks the stabilization of Hungary's international financial position—the Antall administration's greatest achievement of the past three years—then it would be justified to assume that it would be the next administration that would have to face the negative effects. For only \$2 billion of Hungary's total debt of \$22*

*billion are short-term debts, and only \$700 million can be demanded immediately by foreign banks.*

In the past three years, the balance of Hungarian foreign economy was stabilized with unexpected speed and, as a result, the net debt of \$15 billion at the end of the year 1989 was reduced to \$13 billion by the end of last year. In 1989, the only full year of the Nemeth administration, loans were needed to merely pay interest, but last year—even after paying \$1.2 billion in interest—\$500 million in net revenues were shown in the country's annual balance of payments, \$200-300 million of which was contributed by gradually expanding foreign trade. For this reason, the central bank borrowed only \$2 billion in new loans in 1992—almost 75 percent of which was accumulated by issuing bonds—for payments on earlier loans (\$2.6 billion) and for boosting foreign exchange reserves to \$5 billion. Only as a reminder: In 1992, the central bank emerged on international markets with bonds of 1,200 million German marks, 200 million dollars, 60 billion yen, and 600 million schillings.

Frigyes Harshegyi, vice president of Hungarian National Bank (MNB), says that Hungary's debt servicing met even the strictest international standards last year, thanks to a clever rescheduling of maturities (at the end of 1988, short-term loans still amounted to \$3.3 billion, but by the end of 1992, they were reduced to slightly more than \$2 billion) and to a steady increase in the country's foreign exchange revenues. According to the finance literature, the situation of a debtor country becomes critical when its annual interest payments exceed 15 percent of its foreign exchange revenues (the respective Hungarian index was still 20 percent in 1989 but was only 9 percent in 1992) or when its rate of debt servicing exceeds 30 percent (the Hungarian figure was 40 percent in 1989, and only 28 percent in 1992).

Despite the spectacular strengthening of Hungary's position regarding international payments, there was a "smile pause" last year in the relations between the International Monetary Fund (IMF) and the Hungarian Government: The central bank was unable to get the \$400 million that was due for 1992 according to a three-year credit agreement. The thorn in the IMF's flesh was that Hungary's budget deficit in 1992 was three times as high as planned. Nonetheless, a good compromise was allegedly struck last fall by the end of determined Finance Minister Mihaly Kupa's talks in Washington: If the 1993 budget deficit does not exceed 225 billion forints, the IMF will extend, under the same conditions, the original agreement to four years. In the end, however, the IMF—a careful international power—will wait in deciding on the continued payments of the credit installments until its board meeting in March, after the Budapest visit by its mission which will follow (probably not accidentally) the 25 January MDF [Hungarian Democratic Forum] national convention. And although one can hear the argument in certain circles of experts—which call the IMF a "gendarme" of debtor countries—that the absence of the pending few hundred million dollars would not adversely affect the Hungarian

economy, Imre Tarafas, vice president of the central bank, warns that losing the IMF's goodwill may yet cost the country a bundle. The first "tangible" sign of that is that, although the international private markets have accepted Hungary and provide credit to her, the higher prices of the most recent MNB bonds mercilessly reflect the judgment of investors. The central bank's bonds are at present the hottest sellers in Japan. (The MNB raised last week's 30-billion-yen issuance to 40 billion yen, i.e., to \$320 million, on Monday.) But, even there, the interest on them is 2.5 percent more than the 4-percent interest on Japanese Government bonds—which, according to experts, has fallen to a "historically low level." Indeed, for the time being, the MNB allegedly gave up its attempt to "persuade" the Swiss market, which is very conservative and very sensitive to its partners' internal uncertainties, because it could not, under suitable conditions, find buyers for its bonds on that market.

MNB's optimistic upper management projected an ideal international financial situation for 1993, namely, a balance in foreign trade and current balance of payments, interest payments barely exceeding \$1 billion, a decrease in capital payments to \$2 billion, and the preservation of foreign exchange reserves. However, one of the crucial pillars of a balance is the borrowing of an additional \$2 billion, which the MNB would acquire through issuing bonds in German marks, dollars, schillings, and yen and through loans from international financial institutions, including the IMF. It is certain, however, that should the International Monetary Fund not like Hungarian internal politics after all, it could, in playing by the rules of the game, find enough reasons for objections in this year's economic processes and in March could rub those objections in on Mihaly Kupa—who is also chairman of the IMF executive board. Although, on paper, the budget deficit planned for this year remained 225 billion forints as negotiated last fall, the issue of debt consolidation (which was urged by the IMF and which the latter will examine at its present talks) would eliminate bad loans from the balance of Hungarian financial institutions in a way that may at the same time cause as yet unforeseeable changes in the national budget.

#### **\* Kupa: No Forint Convertibility Before 1995**

93CH0347B Budapest NEPSZABADSAG in Hungarian  
9 Jan 93 pp 1, 5

[Report on press briefing by Finance Minister Mihaly Kupa by G.F.E.; place and date not given: "Tax Increase: No, No, No! Convertibility Only After 1995"]

[Text] "I do not dare predict the introduction of a completely convertible forint before 1995," said Mihaly Kupa in reply to NEPSZABADSAG's question.

The finance minister thinks that the lack of banking and technical conditions for free convertibility must also be

eliminated by the time convertibility is declared. However, from the aspect of several operations, the Hungarian currency is already convertible, e.g., after the acquisition of the necessary permits, the possibility for foreign investments already also exists. Incidentally, Mihaly Kupa's briefing originated the question.

The minister evaluated FY1992 and spoke about his plans for this year.

The finance minister gave a brief assessment by saying that the well-foundedness of the supplementary budget that was approved last year is indicated by the final data of the 1992 budget deficit. The 117.1-billion-forint budget deficit was affected by a lack of revenues from privatization, the government's "over-plan" obligations, and the sluggish economic upswing at year's end.

The portfolio is working on its program of debt management, which is expected to be presented to the House in the spring. The program will offer alternative proposals for handling the burdens, because the present practice (issuing state bonds) only "scatters" the debt. The state treasury must pay sooner or later, but if a tax increase is out of the question ("we do not want to increase taxes, no, no, and no"), then other ways—e.g., selling debts—must be worked out in time.

The minister did not want to talk at all about the debate between certain members of the government on credit vouchers and bills of credit.

As he said, he vowed at the last cabinet meeting to exercise self-restraint in this matter.



### \* Need for Roundtable on Economy Stressed

93EP0162C Warsaw PRZEGLAD TYGODNIOWY in Polish No 2, 17 Jan 93 p 8

[Article by Jozef Kaleta : "Agreements, Elections, or Uncontrolled Explosion"]

[Text] Andrzej Micewski's proposal to return to a "roundtable" on the economy thoroughly merits support, in my opinion. Public polls show that more than 80 percent of Polish society is critical of the Polish economy during the past 3 years. Social protests and strikes have recently been increasing. Poland holds one of the bottom places among countries in terms of its international credit reliability ranking, below Bulgaria and Romania.

Despite these facts, the governments of the past few years have continued the socioeconomic policy begun by the Mazowiecki government, arguing that this policy is "the only correct one," that there is no alternative, and that they have no intention of departing from this policy. On the basis of orthodox monetarism, they have not created or been able to create any long-range economic strategy or programs to combat the economic recession or unemployment, and they are still reluctant to wage any active industrial, agricultural, or social policy. They reject any criticism on the part of representatives of the opposition or independent economists, accusing them of acting against the reform.

The tremendous arrogance of the coalition presently in power in Poland pays no attention to what most of Polish society thinks, as expressed in the votes and voices of the opposition and leading Polish economists. It is even harder to understand this arrogance, in view of the fact that the very small ruling parties—the parties are often so small that all of a party's members can sit on one couch at the same time—have no meaningful intellectual support in the economic realm. The leading Polish economists are usually not in the political parties.

If the ruling coalition continues to reject what the opposition and competent economists outside of Solidarity are saying and ignores the public opinion of most of Polish society, then there will, of course, be no possibility of leading the country out of the crisis, and the coalition government will inevitably fall.

It is therefore in the ruling coalition's interest to return to an economic "roundtable". (At the last international conference devoted to Central and Eastern European countries—the conference was held in Bucharest in April, 1992—John Foster, U.S. deputy secretary of the Treasury, stated that no government in these countries, or in others, had any extended prospects of lasting, if unemployment increased, the society became poorer, and people had no real likelihood of seeing a rapid improvement in living conditions).

For a "roundtable" to produce the anticipated results, certain essential conditions must naturally be met. While I completely support the proposals Andrzej Micewski

has presented on this subject, I would like to add a few comments for possible consideration.

I think that the most important thing would be to establish the agenda for the group's deliberations. The main purpose of the deliberations should be to diagnose the country's present economic situation straightforwardly and objectively and to propose essential corrections in present socioeconomic policy based on the diagnosis.

The diagnosis should be based on concrete statistics concerning, for example, the restructuring of the economy, the extent of the recession, and the level of inflation, the population's real income, and the population's consumption; the size of the gross national product, the budget deficit, the public debt, and foreign debt; the figures on unemployment, exports, imports, foreign-exchange reserves, decapitalization of national assets, and investments; and the downturn in agriculture, housing construction, transportation, crafts and trades, public health, the schools, science, higher education, culture, art, social welfare, and so on. It is also essential to establish the concrete causes of all adverse economic phenomena. On the other hand, we must not establish a diagnosis of the state of the economy using the method that is, unfortunately, very common at present, that is, based merely on the fact that the shops have "full shelves" (when 90 percent of the public does not have access to them), that one may convert zlotys into dollars within the country (when only 5 percent of the public is doing so), that there are tens of thousands of empty apartments (when there are no buyers because of the high prices), or that there are so many television sets, refrigerators, and automatic washers (when most of them were bought at least 3 years ago).

Based on a proper diagnosis of the country's present economic situation and the existing trends, "roundtable" participants should propose the changes that must be made in the present socioeconomic policy and possible changes needed in the system.

The directions of the proposed changes will obviously depend to a great extent on which option wins at the "roundtable," the neoliberal (monetarist) option or the neo-Keynsian option.

The ruling coalition up until now has been coming out for the former option. Its key leaders have been demonstrating right-wing views. The opposition, on the other hand, is more inclined to the leftist, neo-Keynsian option.

A social market economy with wide-ranging state interventionism predominates in Western Europe, into which we wish to become integrated. In developed Asian countries, the state plays a very great role in the economy. And recently, in the United States too, President-elect Bill Clinton has been calling for expanded state intervention in the economic sphere, for increased expenditures

for public works, public health, education, and so on. Clinton's chief economic advisors are economists known for their leftist views.

The relationship between antiinflationary policy and antirecessionary policy is a very important dilemma to be resolved. Arguing that inflation in our country tends to be demand-based, during the entire past 3 years our governments have made antiinflationary policy the priority and have failed to appreciate the importance of fighting the recession. Opposition parties and most independent economists, on the other hand, argue that inflation in our country at the present time is characterized more by supply and cost, and they call for placing the priority on antirecessionary policy.

The situation of government companies is very important and extremely complex. Government firms still create more than 70 percent of nonagricultural national income and are the chief suppliers of state budget income. The governments of the past 3 years have been waging a restrictive policy vis-a-vis these firms, but the opposition calls for evening out the sectors and completely commercializing these firms.

Privatization and reprivatization of government property is an especially difficult problem. Consensus is always needed for matters such as the rate and scope of privatization, general privatization, reprivatization, the privatization of large companies, the role of foreign capital in the privatization process, the role of the working forces in the privatization process, and the development of a capital market.

Macroeconomic policy, especially monetary, fiscal, and incomes policy, should be a key topic of deliberations for the "roundtable."

The parties will need to agree, in particular, on matters such as tax policy, monetary policy, the policy of rates of exchange, and the government's influence on population income.

"Roundtable" participants should also propose appropriate systems solutions to see that a higher level of taxes, tariffs, and other charges due are actually paid. It is generally known that our treasury and customs machinery does not work very well. The share of the gross national product that goes into the budget in Poland is nearly half what it is in many Western countries, and the declared level of earnings and profits that private firms report for tax purposes is one-tenth that of the government enterprises going bankrupt.

According to official declarations by heads of the Main Customs Office, more than 50 percent of the alcohol and cigarettes imported come in illegally and are excluded from the duties or taxes paid. Tens of millions of foreign cars come in by Polish roads each year, without their owners' paying any vehicle tax. By including this tax in the price of gasoline, the budget could be increased by hundreds of millions of dollars each year. This is one of

the major reasons for the government's disastrous financial situation and the tremendous breakdown in the social and technical infrastructure. "Roundtable" participants should come to an understanding on a possible restoration of the liquor and tobacco monopolies.

Another important subject that should be discussed at such a "roundtable," to state it briefly, is our foreign economic relations, problems of social policy, which are inseparably linked to economic policy in civilized countries. Unemployment is undoubtedly the most important problem in this area. It is not only a social problem but also an economic one. The eminent American economist and Nobel prize winner Artur Okun argues that a 1-percent decline in unemployment should produce a 3-percent increase in the gross national product.

Is there any real chance, though, that the coalition and the opposition can reach such an agreement on economic matters?

Despite a great deal of skeptical opinion, I believe such a chance exists. It is in the very realm of economic affairs that the present parliamentary opposition can come to an agreement with deputies from Solidarity, the ZChN [Christian-National Union], and all the peasant and Christian parties. All these clubs have many reasonable deputies who understand that such an agreement is necessary to pull the country out of the crisis and that the alternative to agreement is elections or an uncontrolled social explosion.

The results of the "roundtable's" work should be the topic of wide-ranging discussion in economic circles and in public opinion, but, above all, it should reach the deliberations of the Sejm. On the basis of these results, the Sejm should pass the necessary package of legislation to save the economy and pull it out of the deep crisis. The Sejm should make such bills its top priority.

#### **\* Superior Efficiency of Small Companies Questioned**

93EP0161D Warsaw RZECZPOSPOLITA  
(ECONOMY AND MARKET supplement) in Polish  
15 Jan 93 p 1

[Article by Antoni Kowalik: "Controversial Superiority"]

[Text] *Over the short term industrial private enterprises are not showing a clear superiority over state enterprises. This means that an immediate and drastic improvement in production efficiency should not be expected to accompany the privatization of state assets.*

The Economics Statistics Research Department of the Central Office of Statistics and the Polish Academy of Sciences has published the results of studies covering small and medium-size enterprises in 1991 (statistics pertaining to the state of these enterprises last year are

not yet available). They reveal the tendencies and conformities that appeared in a group of those enterprises as compared with the whole industry in both private and state sectors.

### Productivity

It turned out, for example, that work productivity in industry, as shown in a study that excluded five raw-materials branches, is about the same, regardless of the size of the enterprise and to which sector, private or public, it belongs. This does not mean, as the authors of the report emphasize, that private firms are absolutely not more productive than public ones, for productivity depends on many factors, including those that are not totally connected with actual labor intensity. An example is the food industry, in which the higher productivity of state enterprises over private enterprises is caused by the production of high-income spirits and vodka, especially since private firms, with some exceptions, do not produce such articles. State enterprises in the chemical industry also produce basically different assortments of products (artificial fertilizers, fibers), in construction materials (e.g., cement), or paper-pulp. In such branches it would be difficult to make a complete comparison of labor productivity indicators calculated for the public and private sector.

A branch in which such comparisons can be made is the clothing industry. And here studies show that the productivity of the private sector is higher than that of the state sector, in both small and medium-size enterprises. But it was also shown that productivity in medium-size firms is higher than large firms, in both the private and public sectors. We can conclude then that in the clothing industry a plant employing up to 500 people is the most optimal. Above this number productivity does not grow but shrinks.

In the transportation branch, in turn, where state industry is represented by such large enterprises as shipyards or aircraft producers, labor productivity, calculated for a group of 81 such plants, is lower than in a group of 363 small private firms, mainly producers of small subassemblies or parts. In turn, in such branches as commerce or construction, where the similarity of assortments is greater than in industry, the productivity of small, medium, and large private enterprises is greater than that of state plants.

### Profitability

Study showed that in comparing profits calculated before taxes (ratio of profit or loss to cost of sales of own products or services), it is hard to find a rule governing the size of this indicator. This applies to both the group of enterprises selected in view of size, as well as those belonging to a specific sector. In some branches of industry small firms are more profitable than large firms, and in others the converse is true. The same applies to state and private enterprises.

The superiority of private firms over state firms is clearly evident, however, when profits after taxes are compared. This superiority is achieved through special financial encumbrances placed on state enterprises, such as an obligatory dividend and income tax. Private businessmen benefit from many allowances not available to state firms.

It turned out, however, that the size of profit in particular branches depends in large measure on the predisposition of the businessman, without regard to whether it is a state or a private firm.

### Utilization of Assets

But it is an indisputable fact, as shown by analysis, that utilization of fixed assets is higher in the private sector. For industrial enterprises, this is the only example of documented and unquestioned superiority of private firms over state firms. Capital goods are bought by private enterprises only in amounts sufficient to satisfy the existing effective demand for goods. State firms, on the other hand, were built without care about costs and with the thought of satisfying a need that was not verified on the market, but invented by planners.

From the cited studies, therefore, it appears that the private sector, particularly in industry, does not yet show the definite superiority over the public sector that was anticipated. Privatization will not immediately improve production efficiency. These benefits can be achieved only over the long term.

### \* National Clearinghouse To Begin Operations

93EP0161C Warsaw *RZECZPOSPOLITA*  
(*ECONOMY AND MARKET* supplement) in Polish  
14 Jan 93 p III

[Article by Pawel Jablonski: "Only for the Chosen"]

[Text] The National Clearinghouse (KIR) will probably begin its operations as early as the middle of January. Initially it was to clear accounts between banks—KIR shareholders. These include almost all of the largest banks and the Economic Union Banks and Wielkopolski Economic Bank—banks with which the cooperative banks are affiliated. Of the large banks, the following are not KIR shareholders: Polish Development Bank and Economic Initiatives Bank. In March, KIR's operations will include nine more banks. In total, it will have 26 banks "under its care."

Yet there are approximately 90 banks in Poland, not counting the cooperatives. The remaining banks, frequently small, feel that they have been wronged by the method by which they were excluded from the services of KIR.

The benefits flowing from the operations of KIR are clearly shown in the flowcharts [not reproduced here]. As we see, establishing KIR eliminates the period in inter-bank clearing in which the money is "en route" and not

working for either of the two banks involved in a given transaction. The period between charging the account of one bank and crediting it by the other is eliminated. Thanks to the operations of KIR, every transaction on the accounts of both banks making it will be entered at the National Bank of Poland (NBP) at the same time.

For some time now a KIR mail system has been operating, hauling documents between banks and KIR offices. In addition, KIR is already clearing many interbank transactions without paper documentation.

At present, interbank settlements are made through a central bank. After 1 March, interbank settlements will be possible only by one of the three methods described in the NBP president's order dated 24 June (changed on 30 September). The banks will be able to settle their accounts through KIR, through banks maintaining accounts for other domestic banks, and through direct exchange of orders between banks and registration of the mutual claims resulting therefrom.

Only a small number of banks can benefit from KIR's service—chosen banks. The others can only use the two remaining methods of interbank settlement of accounts. They can employ the intermediation of a bank that is a member of KIR, and thus take advantage of interbank clearing. Banking experts, however, believe that this method prolongs the clearing time by at least two days. The intermediary bank will also collect a commission for its services.

On other hand, if payment orders are to be executed by direct exchange between banks, the necessary agreements must be signed with all of the banks with which a given bank wants to settle accounts. This means that several dozen and perhaps even more than 100 agreements must be signed. Furthermore, they can differ greatly one from another. The banks using this form of clearing must maintain sufficient funds in their accounts in NBP to pay every order. This means that a certain part of their funds would not be effectively utilized.

Initially, when KIR was being established, it was said that all banks will be able to take advantage of its services. But later the number of participants was reduced. It is the opinion of representatives of the small banks that this discrimination means that the payments of their clients may not be made on time, which could result in a loss of confidence by the clients in the entire banking system. That is why, in their opinion, all banks should be allowed to clear their accounts through KIR, on an equal basis. But applying a rule that every bank which has a license be required to participate in KIR clearing carries with it the danger that one of its members may bring financial difficulties into interbank clearing. To prevent this danger it is proposed that a technical credit be instituted, at an interest rate that will discourage its potential users.

But what is most important is that during the interim period—until KIR services are in full operation—the present system of interbank settlement of accounts

through NBP's intermediation remains in effect. Representatives of small banks say that they are being particularly let down by the Association of Polish Banks, which should be representing their interests. There is also talk that NBP washed its hands of this entire matter too easily. It seems that the issue of permitting participation in the operations of KIR is being used for the purpose of accelerating the concentration of capital in banks and eliminating or combining the weaker ones.

**\* Agricultural Duties Under Fire at Home, Abroad**  
*93EP0161B Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 15 Jan 93 p 1*

[Article by Danuta Walewska and T.J.: "Questionable Benefits"]

[Text] During a review of the Polish economy, made at the beginning of this week in Geneva, a great deal of time was devoted to the problems of our farm market. Poland is a significant exporter of farm articles in both raw and processed form. It was also calculated that 44 percent of Poland's GDP is connected with export, in which farm articles make up a large part. Last year we exported food valued at approximately \$2 billion.

At the Geneva meeting Poland's representatives emphasized that agriculture is one of the most sensitive fields of our economy. They maintained that liberalization of trade pertaining specifically to this market at the very beginning of our transformations caused great damage to the farm market. That is why farm production in Poland has shrunk while imports have steadily grown. Expensive credits made the farm situation even more difficult.

"Now"—we read in the report prepared by the Polish delegation—"Poland finds itself in a paradoxical situation because the best producers are on the brink of bankruptcy. Nor are we prepared to establish an open market in farm products overnight."

But representatives of the countries that participated in the review of the Polish economy argued that protecting the market by putting in any kind of tariff barriers and other forms of payments would be counterproductive. There is the danger that our trading partners would retaliate. We will not return to GATT if we do not adapt our market to the civilized solutions in effect in world trade.

The deputy minister for foreign economic cooperation, Andrzej Byrt, who chaired the Polish delegation at the Geneva meeting, compared the rules in effect in world trade to proper behavior at the table.

That no one in Geneva wished us ill was also shown by the fact that an import tax, put in until VAT [value-added tax] goes into effect, was accepted, although without enthusiasm. All that was asked was whether this is a temporary or permanent measure.

We also know that if we decide to return to GATT and participate in the Uruguay talks, we will have to reduce the duties now in effect by 30 percent. The representatives of the ministry of foreign economic cooperation admit that in the case of the most sensitive fields, before we reduce the duties we will have to raise them for a certain period of time, so as to have something from which to "reduce" them. In addition to this maneuver, the regulations concerning duties now in effect must be clear and trade policy must be predictable.

Under these circumstances it would be very hard to explain the necessity for introducing compensation payments, as the farmers are demanding. Although it has been admitted that it is precisely this lobby that has the most spectacular pressure methods. In Geneva the Polish delegation included representatives of the Ministry of Agriculture, who approved the need for further liberalizations in their field. It became very clear that if we apply new import fees, the countries affected will apply the same measure in relation to our export. As a result, Polish farm articles will become less competitive.

During the last stormy meeting of the Economic Committee of the Council of Ministers, in addition to Jan Krzysztof Bielecki, representatives of the Ministry of Finance, the Central Planning Administration (CUP), and the Antimonopoly Office spoke out against compensation payments. The vice president of the Antimonopoly Office described the version of the document according to which these payments would be applied, as

"a rubber law, an unfinished document, whose provisions would only lead to scandals."

Nowhere in the world are such additional payments applied, said Andrzej Sylwik, UA vice president, to RZECZPOSPOLITA on Thursday. Neither is it clear as to in whose interest it would be for us to institute such payments. A slowdown in import is a very shortsighted argument. A reduction in import is not in the interest of the consumer. Our opposition to these payments is clear and total.

However, Jan Bazyl Lipszyc, adviser to the minister of finance, said that the proposed order is replete with imprecise terms: What, for example, is an average price, or a producer price? There simply are no such concepts in economics. We were astounded—underscored J.B. Lipszyc—at the lack of any kind of simulation of costs of applying these payments: What would be their effect on inflation, for example? Such calculations are indispensable.

On the other hand, the president of Main Customs Office, when asked for his opinion on the subject of compensation payments for imported farm products, said on Thursday that he is interested only in whether the exaction of payments is technically possible. "We were asked whether this can be done—well, this idea can be implemented in practice."

President M. Zielinski added that farm products are practically excluded from the association agreement; thus, there are no legal obstacles to applying them.

### Views of Hungarian Guests at UDMR Congress

93BA0525A Bucharest ADEVARUL in Romanian  
19 Jan 93 p 5

[Interview with Hungarian UDMR Congress attendees by Gabriela Bauer; place and date not given: "UDMR Can Solve Its Problems by Itself: Opinions of Hungarian Participants in the Third UDMR Congress Held in Brasov"]

[Text] *The editors of ADEVARUL interviewed prominent guests from the Republic of Hungary who participated in the proceedings of the congress conducted in Tractorul Hall in Brasov from 15 to 17 January 1993. Interviewed were Geza Entz, secretary of state of the Hunarian Government for ethnic Hungarian problems; Ivan Peto, president of the Social Democratic Union [SDU]; Gaspar Miklos Tamas, chairman of the SDU National Council; Gyorgy Csoti, Hungarian Democratic Forum [MDF]; Kis Gabor Gellert, cultural affairs expert of the Hungarian Socialist Party [PSM]; and Gusztav Molnar, of the Teleki Foundation for East European Studies.*

[ADEVARUL] What is your view of the relationship between the two wings of the UDMR [Democratic Union of Hungarians in Romania], considering that one of them wants to achieve its ends by radical means, and the other by parliamentary means and dialogue?

[Peto] This distinction between radicals and moderates often conveyed by the Romanian press does not at all correspond to the actual situation. In my opinion, the UDMR has several factions with different orientations, and it would be an oversimplification to reduce them to the two extremes, radicals and moderates. It has not been my experience that any of these factions has used means other than parliamentary, constitutional ones in debates on the minority problem.

[ADEVARUL] What is your view of the opinions of some UDMR political leaders to the effect that certain statements made at Budapest have harmed rather than helped UDMR activities?

[Peto] As a matter of fact, statements have been made in Bucharest that have harmed not only UDMR activities but also relations between the two countries. But we must remember that there are many parties with different orientations in both Hungary and Romania. It is a mistake to confuse statements made by marginal groups or by parties that are not even represented in Parliament with the official position of the Hungarian government. Statements such as these are of such little importance that they should have no effect on Romanian-Hungarian relations.

[Tamas] What would Romanian citizens say if the Hungarian people were to judge Romania by the articles published in ROMANIA MARE or TOTUSI IUBIREA? This would unfair. And it is just as unfair to judge Hungarians by statements made by Hungarian extremist groups.

[ADEVARUL] How well do you believe the rights of minorities in Romania to be respected compared to the situation of such minorities in other European countries?

[Gellert] The problems of minorities are to a great extent regulated by the European Charter of Minorities. But every country has economic, legislative, and other resources of its own for applying the provisions of this Charter. In the case of the former communist countries, minority rights are spelled out in a constitution, but many of the demands made by minorities cannot be met for economic reasons. I believe that interethnic tensions will persist until the economic problems of these countries in transition have been solved.

[Molnar] Cultural institutions meeting the needs of minorities should be provided for the sake of peaceful coexistence with the majority ethnic group. The Hungarian minority in Romania wants to be guaranteed the right to use its native language in administration and the legal system in regions in which this minority is in the majority. This is not an unjustifiable demand; precedents exist in other countries. I should like to give an example. Ethnic Germans make up the majority in the Southern Tyrol (in Italy). A law has been enacted providing that positions in the local administration may be held only by persons who know both languages, even if this works to the disadvantage of Italians. I do not mean to suggest such a solution for Romania as well, but knowledge of the language of the minorities in regions where the language is spoken by the majority is not just useful, it is a mark of understanding and civility.

[Entz] The Hungarian minority in Romania is a large community and has a long tradition in Transylvania. Ethnic Hungarians also had their cultural, educational, administrative, and other institutions in the past. Many of them were suppressed by the communist regime. It only proper that these institutions, including the Hungarian university in Cluj, be re-established. Approval of their re-establishment is primarily a problem of principle, and after that has been resolved it will be possible to consider the practical difficulties preventing the re-establishment. There are many examples around the world where these problems were solved to the benefit of a minority, and also of the majority. One example is the problem of the Swedish minority, which represents 6.5 percent of the population of Finland. Bilingual signs along with the use of both languages in administration and the legal system are mandatory in regions that have large Swedish minorities. In the city of Turku, for example, there is both a Finnish and a Swedish university, and the two cooperate with each other. Consequently, this can be accomplished if there is goodwill on both sides!

[ADEVARUL] In light of the fact that discussions on drafting a Romanian-Hungarian treaty have been resumed, do you believe that there will be an improvement in relations between the two countries in 1993?

[Csoti] I have received encouraging signals from the Romanian side that talks will resume. It is in the interest of both countries to establish good-neighbor relations. The Hungarian Government has no intention of intervening in the domestic problems of Romania. As for the relationship with the UMDR, I personally think that this organization can solve its problems on its own, because it is best acquainted with realities in Romania.

[Gellert] The relations between the two countries will not improve until past history ceases to be a problem for the politicians and is left to the historians.

[Tamas] The first sign of improvement in relations would be disappearance of the interminable lines at the Romanian-Hungarian border. If the citizens of both countries can travel without difficulty into the neighboring country, mutual acquaintance at this level could facilitate establishment of good relations at high levels as well.

### Response to Rabbi Rosen's Anti-Semitism Charges

93BA0512A Bucharest DIMINEATA in Romanian 9-10, 12 Jan 93

[Article in two installments by Arnold Helman: "A False Problem: Anti-Semitism"]

[9-10 Jan p 1]

[Text] The war between Chief Rabbi Moses Rosen and a tiny part of the press has flared up again. Artificially ignited about two years ago, this battle—not at all quiet, on the contrary, quite noisy—appeared to have ended after that pitiful program by Tatulici and Nistorescu, "Semite-Anti-Semite," which did not amount to a hill of beans. If you recall, they sat face-to-face across the "green table," crossed pointless swords and dueled blindly. No heads rolled—except for those of the bored or curious TV viewers—but it did seem to restore calm and the chief rabbi solemnly declared that he would not become engaged again in polemics in the press.

However, this was but a relative and temporary calm, and once again we see the return to a state of belligerence, but not of anti-semitism, in a country where the percentage of Jews in the total population is very small even when compared with percentages in other European countries; in a country, unique in the whole of Europe, where a large number of Jews were saved from the horrors of the holocaust; in a country blessed by the state of Israel, because over 10 percent of the inhabitants of that Biblical land are Romanian emigres. Those who did return to the land of their forefathers did not have to retrace the route that brought their ancestors to Romania, driven out in 1492 by the Inquisition and Isabella of Castile.

Who is to blame for reigniting this war in the mass media, at a time when we were sitting quietly by and witnessing the thunder of xenophobia rolling across

France, Italy, and Germany—even during the *Kristallnacht* commemoration—aimed at foreigners labeled with such pejorative names as *auslaender*, *stranier*, and *etranger*; when Jews from the former asiatic Soviet republics gathered for their exodus; when Jewish cemeteries, synagogues, and holy scrolls were not being vandalized in Romania, where one never sees yellow Stars of David or racist phrases scribbled on walls; when Jews, however many are left in Romania who acknowledge being Jews, enjoy full rights; when the Romanian media covers Rosh Hashana and Yom Kippur and cultural exhibitions of Jewish books in the Romanian language; when, finally, there is a Romanian-Israeli friendship association and a chamber of commerce? All of these facts have their explanation in the moral matrices of the Romanian people, a tolerant, conciliatory, and hospitable folk, who understand how to live together in the same house, in perfect harmony, with all the tribes settled in this Dacian abode, in the spirit of mutual respect!

Mr. Moses Rosen made a number of serious mistakes, one of which I consider capital. About two years ago, I published an article in the foreign press in which I pointed out that it was strange that, while all minorities were being represented in Parliament after the Revolution—to the indisputable credit of Ion Iliescu—yet the Jews did not ask to have a representative to look after their ethnic interests. Some self-inflated personage, namely His Eminence himself, did not want any deputy whom he could not personally control! In an atmosphere clouded by the personality cult, the chief rabbi, although a little man in stature, is the highest-ranking Jew in Romania! It was true that he himself could not be a deputy because he was in six legislatures under the communists! He could not escape this dilemma so he followed the dictum, "either Caesar or nothing."

It was as though the mufti or the pope had to represent the interests of the Armenian, Turkish, Bulgarian, or Greek communities. Was it not possible to find someone from among ordinary Jews, someone without special rank, who had not been compromised by the old regime? An ethnic Jewish deputy would undoubtedly have responded very differently in Parliament to certain extremist linguistic excesses, and it would not have been necessary, for example, for Gelu Voican Voiculescu to do it (who is a freemason, not a Jewish mason as some have said!).

[12 Jan pp 1, 5]

[Text] A memorable example of defending a minority group was a speech by deputy Varuian Vosganian that stirred the memories of his contemporaries regarding the Turkish massacre of Armenians in 1915, which claimed 1.5 million victims. Outraged, the Turkish minority representative declared his solidarity with his minority group, rejected the accusation, and defended his Turks.

I read in one newspaper (which was trying to prevent its circulation from slipping any further) a front-page letter

to Prime Minister Vacaroiu urging him not to include in his government any "Shlomos" or "Itzhaks" (as the paper spelled these names). Now, a journalist has the right to express his opinions; and having nothing much to say, this man was looking for an audience. But the fact that this paper does not have much of a readership is proof that the Romanian people reject racism. Then there was the case of another journalist whose paper appeared after the Revolution and then went bankrupt; he referred to Jews using the more diplomatic name of "brucani" [reference to Silviu Brucan, former editor of the party daily SCINTEIA and provisional government member after the December 1989 Revolution]. Somehow this name sounded better than "kikes," but I do not know of any Jew who would like to be compared to that contentious oracle, the former career communist Tache Brucner-Brucan. But to get from here to the casus belli as stated by Mr. Rosen, you must travel a very poor road indeed, seeing as how it is filled with mud and ice and dust—depending on what time of year it is when you pick your fight.

I also have in mind the fact that this ambitious chief rabbi, now at an age where he should be getting along with everyone, chose to follow the example of Zaharia Stancu: Asked by Marin Preda why he allowed himself to be insulted by X or Y, Stancu said that he couldn't be bothered to make peace with them all.

From what we have heard, His Eminence had a falling out also with Zvi Mazel, the former Israeli ambassador to Romania, who, toward the end of his assignment, no longer honored Mr. Rosen with his presence at the synagogue. And it appears as though his period of accreditation was shortened, as if his appointment was to the rabbi's Holy See. I believe that I angered Mr. Rosen; but knowing that wisdom only comes with old age and that forgiveness is a divine commandment, I'd like to ask the head of the Jewish faith to spend more time with the sacred and less time with the profane. Then the funeral pyre of imaginary Romanian anti-semitism will burn out on its own, because there are only a few twigs left to keep it going. There are many others of his religion who would urge the rabbi to accept an ethnic Jewish deputy, people who will live and die in Romania, who will be buried here in their homeland, who do not have and do not want an eternal resting place in Jerusalem as is the case with Mr. Rosen.

It is a totally different matter that there are many Jews in Parliament who do not acknowledge their Jewishness. Here's proof: Not one of them has come forward to defend ethnic Jewish interests. Rather, they represent the interests of their political parties. As for the rabbi's nephew, Neulander, a former prime minister, he did not even see fit to go to that meeting attended by such political leaders as Manolescu, Coposu, and others [Neulander is the original name of former prime minister Petre Roman's father].

Finally, long live the Academy! When shall we again have the occasion to be present at acceptance speeches by all of Romania's religious leaders—with His Holiness Laszlo Tokes at the forefront—even if they have no books to their credit? [Moses Rosen, along with other major religious leaders, was recently made honorary member of the Romanian Academy.] Rabbi Moses Gaster was an honored member of the Romanian Academy, but he had done a tremendous amount of work in philology. In 1936, at Titulescu's suggestion, he donated to the Romanian state his large collection of historical manuscripts as well as manuscripts on folklore and linguistics.

### Deficiencies of Criminal Justice System

93BA0524A Bucharest ADEVARUL in Romanian  
19 Jan 93 p 3

[Article by Al. Gavrilesco: "Organized Crime: Result of Corruption and Societal Deterioration"]

[Text] Dirty business deals, fraud, embezzlement, rapes; seemingly normal people have been transformed into lawbreakers committing crimes against life, society, and public property. Some newspapers report social dysfunctions as extreme forms tending to be of a more and more unusual nature. The turbulent panorama of the political scene, the struggle for power, and the feverish pursuit of ministerial portfolios have trivialized a serious phenomenon increasingly characteristic of our society, organized crime. The euphoria occasioned by the climate of new democratic values has gradually given way to economic inequalities, feelings of uselessness, apathy, and spiritual fatigue. In addition, the daily grind, anxiety from worry about survival, and the declining prestige of government institutions have created vacuums in which negative experiences have increased constantly. At the beginning of December 1992, approximately 82,112 citizens had been tried for murder, aggravated physical assault, physical attacks causing death, rape, and other offenses. The level reached exceeded that reached for the entire period from 1987 to 1990. The statistics are frightening: 1,530 people who have become criminals in a society that wants to depend exclusively on democracy. While gangsters at large, protected by obviously obsolete legislation, have launched large-scale attacks on trade in raw materials and foods, 16,926 defendants have been tried for crimes against public property. The number of such offenses tripled in a single year, rising to 617 million in 1992 from 207 million in 1991. Embezzlement, theft, fraud, abuse of office, and taking and giving bribes have made their way—in sophisticated forms—into various walks of life, coming to dominate relations between people. The deliberate discrediting of the financial control authorities and their selective thwarting by people from certain ministries, the simultaneous holding of executive positions at the head of commercial firms in which government and private capital has been invested, and disregard for the protection of installations of



national importance to a great extent explain the bandit-like attacks that have produced staggering fortunes in a single stroke.

The dissatisfaction generated by the conflicting conditions of the transition to capitalism has in turn aggravated the crisis in standards of community life, the outrage against morality, begging, vagrancy, prostitution, and procuring, while the response by the authorities has remained mostly rhetorical. This inability to regulate society has nourished latent conflicts, and continues to nourish them, slowly turning into a mechanism for distortion of democracy. Unwise disregard of social realities has caused the phenomenon of juvenile delinquency to have the worst record in Europe: 5,008 young people were sent for trial, some of them being charged with murder and assaults resulting in death. Not many supporters of the electoral process take the time to think about the frustrations suffered by teenagers or to take a serious legislative approach to the aberrant behavior of the younger generation.

Unfortunately, moral improvement of the nation has yet to become a concern of foremost importance to Parliament. This democratic institution would have needed to come to grips with the fact that in 1992 the public prosecution authorities of Romania disposed of 149,243 cases. This figure is evocative of the veritable shock wave that has rolled over the country in the last six years. The failure to settle 25,057 police cases, the abandonment of preventive detention measures, the drop in the number of persons arrested but not tried, and the impending more than 20-fold increase in the number of defendants acquitted, underline the weakness of the government in coping with the phenomenon of crime.

The year 1993 finds Romania without two fundamental laws, the Penal Code and the Civil Code; the current legislative instruments are obsolete. The Ministry of Justice thus finds itself faced with a task of the highest priority.

**\* Slovakia's Economic Relations With EC**

93CH0267B Bratislava NOVE SLOVO in Slovak  
28 Dec 92 p 4

[Commentary by Ladislav Hohos: "A Little Geopolitical Essay and Our Own Responsibility"]

[Text] We are at present witnesses to a new division of Europe, and soon, at midnight, we will open the champagne in honor of the birth of the second Slovak Republic, as is customary when christening a new creation. The greatest risk from the "veritable scandal that is the breakup of Czecho-Slovakia" (M. Zeman's view in KORIDOR, 15 December) stems from geopolitical factors.

This is evidently recognized also by V. Klaus, from whom I borrowed the above title: "The idyllic European vision embodied in its most distinct shape in the Maastricht document, about identification with Europe, about emphasis on the region against the state or even the nation (which in these circles is understood not as national but, rather, nationalist), about economic convergence toward an interventionist system, about redistribution of what has been created, and about an egalitarian Europe, has evidently failed. Time will show what remains of this vision, but already today it is clear that Europeans will seek their identity not in a Europe without frontiers but, on the contrary, by means of these very frontiers" (CESKY DENIK, 11 December). Slovakia must find its own way to stability and, almost from scratch, build a net of interstate relations, yet has a chance to gradually create the specifically most advantageous method of linking up economic transformation to pluralistic democracy—the Slovak form of an open society. V. Meciar, in replying to a Japanese TV correspondent, stated that the social acceptability of reform excludes the variant based on assuming that the market is the model for governing a society and capable of resolving all problems. He sees the rudiments of a new prosperity in the Japanese model where market and social aspects are intertwined. (KORIDOR, 11 December.)

The European Parliament deputy Karmelo Landa, as a Basque, offered us a few pieces of advice, as is customary in European relations. Unlike J. Cuhra, who represents our parliament in the Council of Europe (RUDE PRAVO, 7 December), he does not frighten us that the Slovak Republic might have a problem with membership. But he contends that Europe is not inclined to permit the countries of the Visegrad Four to enter Europe with their heads held high. The European Community is trying to revive the economies of these countries in order to help resolve its own economic problems. We are the ideal market for their products, but, ever more frequently, we come up against customs barriers and protectionist measures. He cites the need for foreign investment, but without an intent to dominate the mineral wealth and production in the given country. Our civilized separation is cited as a bright example, but it

could also stimulate the breakup of other countries with still unrecognized nations and national minorities (Basconia, Belgium, Scotland). So it is a political problem, as if Europe were afraid of this democratic example. The current Maastricht model offers the greatest advantage to the most important and richest countries, and so the small countries are looking for an alternative model that is an effort we ought to involve ourselves with because the hierarchical dictate of Brussels is, above all, a German dictate. The new racism stems from expressions of economic exclusiveness, and the richest are closing themselves into an exclusive club while transferring responsibility to the so-called third safe countries, to the CSFR and Poland (problem of refugees).

We are not ashamed of being small and poor. We work for ourselves and on our own. It is precisely our risky geopolitical situation that is of interest for opening up the market area around us.

**\* New Approach to Slovak-Czech Relations Suggested**

**\* Slovak Writer for Persistence**

93CH0289A Bratislava MOSTY in Slovak 5 Jan 93 p 3

[Article by Ladislav Kovac: "What Do We Do Next?"]

[Text] We do not have to close our eyes to what has happened or to what awaits us. We do not need a declaration of weak-minded optimism. But not to suggest anything? It is necessary to state clearly what generally has to be done and then to set to work.

We have buried it, the Czechoslovak Republic. The operation turned out badly, and the patient died. An absurd death, the unwanted consequence of an exercise by inexperienced doctors. We have become orphans, we Czechs and Slovaks. This sudden quiet! Even more burdensome in the noise of phrases and the clamor of beating words. The quiet after failure, an ill-omened quiet.

The diligent heirs have already managed to divide up almost all of the inheritance. The cannons, the pipeline, the 613-model trucks. Both directors of the dissecting room can be satisfied; it was properly divided up. What still remains to be divided up? One small thing: Czechoslovak culture. The Kralicka Bible, Komensky's *Labyrinth*, Kollar's *Glory to the Daughter*, Simecka's *Restoring Order*, the scientific discoveries made jointly. Scientists and artists, get on with it! In the proper way, according to the tried and true formula of two to one. Or, if it is more just, by the method of Solomon, by cleaving it in halves. Slovaks, we have been left alone.

**Independent-Alone**

In the beautiful countryside, things are contaminated by exhalations. By dying forests, plundered out. By towns of shabby architecture, bordered with deserts of prefab housing. By villages of houses worth bragging about,

where an entire quarter of them will possibly soon be occupied by the unemployed. Arms factories without a market, ironworks stifled by prohibitive tariffs, textile plants under attack by the destructive competition of the South Asian tigers and the Chinese giant. The puppet strings tying us to Russia, kept alive by its petroleum, gas, and ores, strings that can suddenly be broken by one of the convulsions that will rack Russia. Dangerously alone. In a few weeks, the doubt about the Trianon agreement will begin.

#### **It Will Not Be Easy**

The devaluation of the Slovak koruna. Attempts at replacing the communist state capitalism with private capitalism of the communist mafias. Polarization of the rich and the poor. The Damocles sword of the 300 billion in internal debt. After months of verbal demagoguery comes its next and worse phase, the printing of inflationary money.

#### **In No Case Can We Allow Ourselves To Give in to Panic**

Sadness cannot be allowed to turn into resignation. The pain cannot be allowed to paralyze us. We cried enough at midnight on New Year's Eve. That will suffice.

We cannot allow the proven stereotypes of the Gottwald and Husak eras to be again imposed on our country, dissembling and lack of principles. We will not permit a new epidemic of cynicism. There is no reason for fear; the death knell of totalitarian dictatorships in Europe has already rung.

The turncoats, the half-educated, all those who, from their bad consciences and inferiority complexes, produced instant Slovak patriots will continue with their positions and careers, and their power will grow; we cannot prevent that. We will not, however, give them even a minute in which they can be pleased at how they got rid of the Czech challenge and competition; we will put all the more pressure on them, not only from the Czech lands, but from all of Europe. Intellectual capital must flow to us from all the world: lecturers in languages at the elementary and middle schools, specialists at the university, foreign-language books, art exhibits, ideas. Let us insist that our Second Television channel carry Czech television. Let us fight for a third channel, whose program will again be exclusively in the languages of the world. Let us pay attention; the most frightening solidarity is that of the incompetent.

#### **Let Us Not Be Silent**

Let us call things by their real names: careerism, dilettantism, stupidity as it is appropriate. To the point and soberly: Let us not stoop to the uncultured and aggressive manner of expressing ourselves that the frustration has led the poor wretches to use. Let us ignore them; do not let ourselves be drawn into foolish quarrels. Let us not encourage tavern-keepers' slanders.

#### **We Will Not Retreat**

We will not give up a single post or position. Not a kind of second culture, no dissent. Never more, however, what in the past decades so threateningly chilled Slovak culture: half-truths, self-censorship, the corruption of power.

No crude line to the past. No kind of common sheepfold under a single shepherd. No unity of opinion; let us, however, join our forces with everyone who is concerned with preserving democracy and intellectual diversity.

#### **Let Us Set Ourselves the Main Goal of a Political Slovakia**

To struggle with the members of our national minorities, as well, to gain a place among the most educated countries in the world. Let us maintain, even increase, the number of our students in the Czech lands (this will not be possible without your understanding, you Czech citizens, but this will at the same time be a test of the maturity of your democracy); let us send the greatest possible number of young people to study abroad and make the mastery of foreign languages a priority matter. Let us respect the good teachers; the teaching profession should be transformed into the most prestigious and most beautiful profession.

#### **We Have To Put Energy and Enthusiasm Into the Construction of New Bridges**

Bridges that will connect us to the neighboring countries. This should be another new function of our magazine MOSTY. So that we do not slide into the East, into an abyss, we must maintain and strengthen our Central European cultural identity. It can also at some time become a political identity; perhaps in a hopefully foresighted European federation, the Slovaks and the Czechs can again meet politically.

We therefore will not say "thanks," nor will we say "good-bye." Neither will we reproach each other.

#### **In Essence It Has Not Ended, and in Essence It Has Not Begun**

The decisive system has not closed down. The treasure chests of Czechoslovak culture, filled jointly for centuries, have survived the death of the Republic. It likewise depends on us, the creators and consumers, whether Slovak and Czech science and arts will continue to be so close, whether they will continue to be perceived, by us and the world, as the joint works of two related nations.

#### **\* Czech Writer Wants Mutuality**

93CH0289B Bratislava MOSTY in Slovak 5 Jan 93 p 9

[Article by Jaroslav Opat: "To What Should We Be Connected?"]

[Text] I welcome Jiri Suchy's suggestion and the initiative of MOSTY to work for the future, for the development of everything positive that was created in the past

in the mutual relations between the Czechs and the Slovaks by their joint work and sometimes also by their joint battles; to work this way despite the demise of the joint state. Luckily for us and the rest of the world, there was substantially more positive than negative performed in the past of the Czechoslovak state and before that.

Why did Czechoslovakia have to disappear despite this? The historians will look for the answer to that question. One thing is clear even today, however; the contagious disease of the postcommunist countries, an explosion of nationalism and separatism, also reached our nations. The interests of two nationalist motivated ideas on the future of the postcommunist state ran head-on into each other. The political representatives of these interests were not up to agreeing to a compromise that would have been acceptable to both parties. The consequence is well known. The joint state was condemned to history. We now will find out how the fruits of this decision will taste when they ripen. For now, it is unpleasantly bitter for the majority of the people on both sides. After they ripen, their taste will be affected by what the policies in both the newly formed states will be connected to, what will develop from the joint past, and what negative aspects they are able to avoid.

#### History Will Tell Us What To Do

The building of a democratic society under the conditions of a democratically integrating Europe provide a humanely acceptable prospect. There is no other positive alternative to this perspective. In the middle of last year, I heard a Slovak historian declare in a public forum that the positive values of a state political doctrine of pre-Munich Czechoslovakia had been far from exhausted. In my own professional work, I arrived at the same conclusion. The majority of historians, both Czech and Slovak, obviously judge the Czechoslovak past of the first republic in a similar way. And this is far from confined to historians.

Ladislav Kovac, the Slovak biochemist and diplomat, in a dialogue with Jacques Rupnik in issue No. 33 of MOSTY, expressed himself in favor of the new Czech citizenship being a continuation of the Czechoslovak citizenship at the conceptual level, as an important prerequisite for an eventual restored union of the Czechs and the Slovaks. That is certainly an important statement on an important matter. Rupnik agreed with his partner in the dialogue and even considers the continuation of the values of the Czechoslovak state in the Czech state being created as the only possibility. He calls, moreover, for a definition of those ideas on which the Czechoslovak state was founded and in which the Czech state should continue. Considering the fact that this is a French political scientist speaking, one who knows the relationships in the postcommunist countries and, in particular, in Czechoslovakia, his words also have their own weight.

There are, of course, always difficulties with definitions, especially if they are supposed to contain the infinite

diversity and mutability of life. With this in mind, I will, despite this, attempt one. The Czechoslovak state was formed after 1918 as a modern, enlightened, humanitarian democracy that was open to both its own citizens and the outside world. For a period of 17 years, the main guarantee of its development in this direction was its founder, the president and philosopher T.G. Masaryk. It is a banal truth that the Czechoslovak democracy between the wars was not, as a state, an ideal unit, without faults and inadequacies, sometimes even serious ones. But when in history has there existed an ideal democratic state? Only in the thoughts and writings of the Utopians!

#### And the Problem of "Czechoslovakism"?

Yes, history did not approve the idea of a unified Czechoslovak nation as a state political nation. Therefore, the political representatives of the Slovaks and the Czechs as early as the end of the World War II retreated from it. As a slogan, however, "Czechoslovakism" was brought into the political life of the state by the enemies of Masaryk's creative, mature reforms of open democracy, so that they could brandish it in their attacks against the very bases of that democracy. The communist ideologists were particularly good at this.

We, certainly the majority of the Czechs and the Slovaks, want to continue in developing the relationships of creative cooperation. Yes, in doing this we are repudiating the former "Czechoslovakism." However, we remain true to the free-thinking, democratic consciousness of the Czech-Slovak cultural and, to no small degree, political bonds that are rooted in the distant past. This is a value with a future. It helps us substantially on the path "into Europe." And if, in connection with the ongoing integration of the nations and states of the Old Continent, there exists a concept of "Europeness," why, in building up a new Czecho-Slovak bond, should its justification not be, for example, the concept of "Czechoslovakness"? As a logical intermediate level on the common path toward a higher entity?

#### \* Foreign Policy Related to Threat of Isolation

93CH0287A Bratislava NOVE SLOVO BEZ  
RESPEKTU in Slovak 4 Jan 93 pp 8-9

[Article by Alexander Duleba: "Does Independence Equal Isolation?"]

[Text] Last year, Slovakia heard the threat of "international isolation" from several quarters. First it was the Czech right wing, when the decision was being made on whether to "reform" the Czecho-Slovak federation. If Slovakia were to "split off," it would find itself in international isolation. However, the pragmatism of the Klaus policies in the end proved itself capable of transformation into a number of paradoxical "unpragmatic aspects" of the Czech right wing, as well. The Czech

right-wing position also changed; international isolation is not in the interests of the Czech state coming into being.

This was followed by the Hungarian policy, a criticism of the Slovak Constitution, and "insufficient regard for the rights and position of the Hungarian minority" in Slovakia, but mainly the dispute about the dam being built on the Danube. In this case, things did not stop with just a "threat"; Hungarian diplomacy mobilized all "possible and impossible" resources and developed an extensive campaign in the international field.

It was an indisputable success for Slovak policy that the political discussions between the HZDS [Movement for a Democratic Slovakia] and the ODS [Civic Democratic Party] grew into discussions between the governments of the two republics, which made a "peaceful division" of the state possible. Slovakia, just as the Czech portion of the federation, is a successor state. This made it possible to present Slovakia, at the London summit of the Visegrad Group with the highest representatives of the European Community (at the end of October), as an independent entity with which one "simply must reckon."

The London summit and the common representation of interest of the two former parts of the Czechoslovak federation "cooled off the hotheads." Hungary in the end had to agree to a mechanism for resolving the "Gabcikovo dispute," which negated its preconditions. This certain modification of the Hungarian attitude only meant that the attempt at isolating Slovakia at an "afterburner" speed could cause a totally reverse effect. Success for Hungary could have been getting Gabcikovo on the program for discussion by the prime ministers of the Visegrad Group with Messrs. Major and Dellore, and Slovakia would have been "rebuked" (as it had been earlier from the mouth of Mr. Kinkel). But this did not happen; the London result was more successful than unsuccessful for Slovakia.

Several lessons and conclusions can be derived from this for the Slovak policies. Its "vital interest" is to coordinate its foreign policy with its Czech partner. Slovak diplomacy should avoid "unnecessary" involvement in the sphere of the vital interests of Czech politicians because, in the immediate future, the statement will surely apply that, what is good for Bohemia and Moravia from the international standpoint, is also good for Slovakia—and vice versa.

Another statement that should apply for Slovak policies externally is an attitude of more sangfroid and less radicalism. If the Hungarian campaign against the Slovak interests contains the charge of political radicalism, political radicalism from the mouths of the Slovak governmental representatives is just a confirmation of their partial success.

More substance to the subject of the conflict and less arguments about the "internal Hungarian" affairs—that

should be another lesson for Slovak diplomacy in the future and not just in relation to Hungary.

The goal of Slovak foreign policy is the defense of Slovak interests and absolutely not the escalation of conflicts with our neighbors, and there is an important difference in the two! The conclusion of one of the founders of political science, Charles de Secondat Montesquieu, is still valid; the primary virtue of a ruler is a feeling for peace.

What do these people who are threatening Slovakia with international isolation have in mind with this concept? Making it impossible for Slovakia to join in the integrational processes within the European Community. The Hungarian minister of foreign affairs, Geza Jeszensky, formulated it as follows, "If Slovakia continues to apply the policy of unilateral actions, we will propose that the EC reevaluate its cooperation with Slovakia." This statement was made after the London summit and is only an indirect admission that the Hungarian campaign did not achieve its goal of isolating Slovakia at the London meeting.

In the vocabulary of those wanting to isolate Slovakia, in most cases the idea of "international isolation" of Slovakia is identical with the idea of the "isolation of Slovakia from the EC." Viewing these disparate concepts as identical testifies to a total "lapse" of logic and to the kinds of "chimeras" and illusions with which the vocabularies of the politicians of postsocialist Central Europe are currently filled. After all, not even Iraq or Serbia, countries identified as aggressors, are in "absolute international isolation," or similarly Cuba, with its "Fidelista socialism," is not, nor is any other state in the world of today. At least Slovakia is not being threatened for now with either the label of "aggressor" or with the position of an island in the sea (!). Its location in Central Europe (it has a common border with five states) guarantees a high level of communications capability for its territory. The "international isolation of Slovakia" is an illusionist bogeyman that simply cannot be implemented in today's dynamic world, even with the greatest output of effort and the "best" will of those doing the isolation. The London summit clearly demonstrated that Slovakia for now is "isolated from the EC" to the same degree as its closest neighbors in the Central European area (that is, Hungary, Poland, and the Czech lands).

Hungary has placed itself in a role that so far has not received the blessing of Brussels, that of being some kind of middleman between the EC and the other partners of the Visegrad Group. Prime Minister Antall, perhaps in somewhat too sovereign a manner, announced after the London meeting that, within 10 years, Hungary will become a full member of the EC. This would mean that, in the course of a few years, Hungary would get up to the level of the EFTA [European Free Trade Association] countries and thus would "get rid of the international

isolation." I hope that Hungary can perform this economic miracle in the next few years, but it rather seems to me that, so far, no postcommunist country is being threatened by it.

I strongly doubt that it would be at all possible for a postsocialist country to become "as soon as possible" a full member of the EC, particularly from the economic standpoint. The case of the "swallowing up" of the former GDR by its economically stronger national neighbor has still not been fully evaluated by its former "colleagues in CEMA." The illusion still persists that membership in the EC would automatically resolve our economic problems. Too many factors testify to the fact that not even the next 10 years will be a long enough time for any of the current partners from the Visegrad Group to become full members of the EC without any particular losses. Their inability to compete with Western Europe would cause an intensification of the imbalances within those states, but also in the EC, to say nothing about the negative social effects and the impact on the populace. This just cannot be the goal of any democratically elected government.

At the same time, it is not clear what kind of EC we would be joining, a centralist one according to the French idea or a "freer association of states" in accordance with the British ideas. Not even its architects know today what the EC will look like.

Real EC aid to the democratic developments in our region would require a certain "generosity"—if not allowing access to the West European markets, then at least an increase in the import or export quotas for goods and products that help the Central European democracies to "keep their heads above water" and maintain a minimum standard of living for their populations. But the West European governments that are so concerned with the development of liberalism in the countries of Central and Eastern Europe and have their mouths full of "the market mechanism" do not at all "shun" the protection of their domestic products, even though it is a matter on the international scale of pure and simple protectionism and a defense of their national interests.

In regard to the developments in the "former Yugoslavia" and the "former Soviet Union," but in other parts of the world as well, where a number of fires are "burning," the question is being raised of whether the advanced countries are currently capable of such cooperation. The answer comes back in the negative. They do not offer even their closest geographic neighbors enough room for the minimal implementation of their economic requirements for cooperation. And what is much more tragic, they are not and were not even prepared for the collapse of the bipolar system that "organized" the world and, in a state of a permanent "threat of war," at the same time guaranteed the peace for a greater part of the world. Not only is "economic isolationism" characteristic for it, but also "security Isolationism." It creates all of the prerequisites for "a condition of no coastlines" and the irresponsible behavior of the individual players

in security questions that stand outside the boundaries of the "guaranteed peace of the advanced world." Outside these boundaries it is therefore possible to restore the entire arsenal of power politics of the past centuries, which augurs nothing good: the policies of the "new age blocs," secret agreements on the division of influence, direct aggression, and such. The "method of isolation" of the enemy also belongs among them, even though in a given case it may be a matter of "microisolation" within the framework of a certain specific area, but not of universal "international isolation" like that threatening Slovakia so much.

#### \* Obstacles Slow Efforts To Improve SR's Image

93CH0300A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 18 Jan 93 p 10

[Article by Berthold Kohler: "Pessimism Instead of Fanfares—Hard Times Ahead for the Young Slovak Republic"]

[Text] The Slovaks are standing in lines again. They are standing in line in front of banks to escape the koruna, which continues to grow weaker every day, taking refuge in foreign currencies. They are queuing up in stores that carry imported goods in anticipation of the expected devaluation. And many are waiting at the borders with the Czech Republic and Austria to send money out of the country. This capital exodus is evidence that: The Slovaks view the future of their young republic with pessimism. Many citizens were plagued by feelings of uneasiness even before the separation from the Czechs. Now, however, the disillusionment seems to be slowly spreading even to those who a good two weeks ago were celebrating independence with fanfares and Danube waltzes. Hard times are ahead for Slovakia. On the occasion of the new year, Prime Minister Meciar said that people will have to work hard, harder than ever before. This promise will be easy to keep.

The fulfillment of the "thousand-year struggle" for an independent state has not erased Slovakia's inherited problems, such as the old Slovak debt from Czechoslovakia. On the contrary: With independence a host of new problems have developed for the young republic, and these must now be overcome. Despite the apparent continuity of the inherited structures, there is much that needs to be redefined now that the great goal has been reached. For example, the parties, which until now had defined themselves in terms of their position in the discussion over whether or not the federation should exist, must now redefine themselves. A new concept is needed in foreign policy, which until now has been chiefly concerned with which ambassador should go with which embassy. Uncertainty continues to reign on substantive issues. In Pressburg such concepts as "integration with the West," "neutrality," and "special relations with the East" are currently being tossed around as though they were harmonious ingredients in one and the same cooking recipe.

Above all, however, a need for clarification has been demonstrated in economic policy, the reports of which continue to be characterized by the contradictions between Meciar's campaign promises and the harsh realities of international finance policy. So no one really believes that the proposed balanced state budget (prepared under "advisement" of the IMF) can actually be maintained in the form in which it was presented—least of all the finance minister. Industrial production (and thereby tax revenues) continues to shrink, while the young state's public expenditures are tending to grow. Meciar recently announced that, for "social reasons," weapons production at specific locations will already have to be resumed. This is because the federal treasury, from which contributions would now be most welcome, no longer exists.

But the much-maligned "Prague filter" has also disappeared, which in Slovak opinion is holding Western investors in Bohemia and Moravia. For this reason it is thought in Pressburg to be almost "imperative" that more funds be funneled into Slovakia. Foreign parties will be granted the same conditions as Slovak investors, "but better conditions than in the Czech Republic," according to the vice president of the Slovak National Council and candidate for the office of state president, Prokes. This announcement has not produced much yet. Even the influential exiled Slovaks in Canada and the United States, who supported separation from the Czechs with the promise of virtual floods of foreign capital streaming over independent Slovakia, are finding it hard to keep their promise.

The republic's poor international reputation is partly responsible for the slow pace at which confidence and capital are flowing into Slovakia. The Slovaks were never able to gain for themselves the advance confidence that has been enjoyed by the Czechs since the stirring images of their candlelight revolution appeared in the West; they are regarded with suspicion from the start due to their past as a national socialist vassal. Minister of Culture Dusan Slobodnik, who—because of twelve days he spent as a 17-year-old in March 1945 in a Slovak military school which was run by the SS, finds that he himself has an "SS past" despite his assertions to the contrary—holds that it is primarily Czech politicians and journalists, as well as a foreign press that is "full of lies," that are responsible for creating Slovakia's poor image. Guilty also, says Slobodnik, is a group of Slovak intellectuals who "hate" the new Slovak state. Every visitor from Prague goes straight to these people and then repeats their claims for which there is no supporting evidence.

Actually, it is clear that foreign countries view the conduct of the Slovak Government in such matters as its ideological dispute over the University of Tyrnau (Trnava), the dispute over the opposition newspaper SMENA, and its handling of national minorities through a more powerful magnifying glass than, for instance, expressions of racism in the Czech Republic. For many in Slovakia this has given rise to almost a sort of

isolation psychosis. Meciar, for example, grants interviews to only those newspapers whose criticism he does not fear. In the new Foreign Ministry people are still finding it hard to comprehend that Slovakia, too, will have to learn the rules of the international news game. Still, the Pressburg government can see no reason for self-criticism. And therein lies the problem: Everyone is guilty except them.

The stubbornness of the government in its efforts to regulate and radiate the image of Slovakia virtually on its own also arouses suspicion, and not just in some of the scolded intellectuals. And the conspiratorial conduct of the Slovak journalists' organization (loyal to the government) "to promote a true picture of Slovakia" is still worlds away from the sophisticated elegance with which a Schwarzenberg prince presented his "Bohemiae" foundation in Prague to promote the "good name of the Czech Republic throughout the world."

Anyhow, the comparison with the Czechs: This the Slovaks will have to continue to endure for some time, just as they will have to endure the competition with their former brother nation. The per capita income and the number of telephones in the households of the two nations are not yet comparable. The failed cooperation agreement between the Czech CTK news agency, which has unlimited resources at its disposal, and the newly established Slovak agency TASR has already led the Slovak head of government to claim that TASR is 90 minutes faster than CTK anyway. This is entirely conceivable in view of the complacency of the Czech agency, however another message in the sentence is more meaningful: The Slovaks want, more than ever before, to be better than the Czechs. Unfortunately, they have already lost the fight for their population's confidence in its own currency.

#### \* Gasparovic Sanguine About Slovakia's Prospects

93CH0299A Bratislava SLOBODNY PIATOK in Slovak  
8 Jan 93 p 3

[Interview with Ivan Gasparovic, chairman of the National Council of the Slovak Republic, by Ruzena Wagnerova; place and date not given: "Slovakia in Year One"]

[Text] *A few days ago, a serious and important game was being played on the political scene in the last stage of the common Republic. The political organizations ODS [Civic Democratic Party] and the HZDS [Movement for a Democratic Slovakia] agreed to separate. Alas, it was done without the citizens' assistance. A new chapter in Slovakia's history began to be written on the first day of January. It will not be easy; it will not avoid difficulties. Therefore, this problem must be approached with much more responsibility, as Ivan Gasparovic, chairman of the National Council of the Slovak Republic, pointed out. We shall try to look back for a moment but, above all, to enter Slovakia's Year One.*

[Wagnerova] Memories are not always pleasant and sometimes not even desirable. Nevertheless, Mr. Chairman, let us try to recall one thing. The ODS and the HZDS came to a very quick decision about the future of both our nations. However, statements have begun to appear that it was the will of the Czechs and the Slovaks. Do you share that view?

[Gasparovic] I should like to correct you. The separation was decided by the 74 years of our coexistence, which had produced many good but also many unfortunate decisions, particularly as far as Slovakia is concerned. That is confirmed by the actual situation of our economic and social affairs. I would agree with you that it happened very quickly. A process by stages could have been more advantageous for a more accurate charting of the situation, but at this time I no longer dare say even that. After all, we know that, since 1990, when we first began discussing the hyphen, then the power-sharing, the treaty between the Republics and the Constitutions, the Czech side would always adopt a negative attitude, and, thus, it actually helped create an impression in Slovakia that it was unwilling to be a partner in a mutually advantageous game. I realize that there will be problems.

[Wagnerova] I guess they have already hit and that they will hit even more in the future, particularly in the economic area and, consequently, also the social area, which depends on the economy. People are not content, and their living standard continues to decline—at least in most cases. However, we have not yet hit bottom. I will ask you a very simple question: Will there be enough bread?

[Gasparovic] I realize that the way before us is far from easy. The authors of our economic policy also recognize that fact. Naturally, our skills will be tested first of all by the way we reverse the economic decline. Slovakia's economic base is good. Furthermore, how rational our foreign policy will be will be important. We cannot turn away from the market economy, restitutions, and privatization. We have to put specific assets into specific and not fictitious—that is, state—hands.

[Wagnerova] Nonetheless, it is known from experience in the world that one cannot rapidly privatize everything and all at once. Such a process could be quite harmful.

[Gasparovic] Of course, we do not intend to close down prosperous state enterprises.

[Wagnerova] The Government of the Slovak Republic will have to hold on to some of them for a while. The success of the Slovak economy depends on how well the government acts. The parliament should keep strict control over the government. However, in reality it does not work quite that way because a minority government with a silent coalition has a majority in the parliament. It can vote itself whatever it needs. In such a situation, can the parliament really keep the government under strict control?

[Gasparovic] Although this is a minority government, its first and foremost objective is Slovakia's prosperity. In this process, the opposition must act as an opponent because—although I do not foresee any such development—if the situation reaches the stage of an economic catastrophe, the nation will not ask whether the coalition or the opposition is to blame. After all, we are in the same boat, and, because we are entering a difficult period, the parliament must maintain very strict controls.

[Wagnerova] You mentioned the opposition and its role as opponent. The opposition often tries to act that way, but, as the previous arrangement in the parliament, the current system does not demonstrate any great willingness to respect the proposals of the opposition. However, the period we have just begun demands a great deal of cooperation as well as compromises. How can such a system of operation be achieved in the parliament under your leadership?

[Gasparovic] That is simple. We cannot proceed from the theory of success of this or that party but from the success that is beneficial in general. In this process, the opposition plays a very rewarding role—to use arguments against anything that is not in the best interest, to disprove it, but not to be destructive.

[Wagnerova] Deputies who abuse their office for personal gain do not enhance the reputation of the Slovak parliament. In addition to their "deputizing" jobs, they are engaged in entrepreneurship in contravention of the laws now in force. How long will you permit those "deputies" to sit in the parliament?

[Gasparovic] This is both a clear-cut and a very complicated question. Indeed, we have confirmed certain facts about some deputies whose entrepreneurship violates pertinent legal regulations. If they present to us their sincere assurance that they have terminated their business ventures, everything will be in order. But, if we learn otherwise, they will have to surrender their mandate as deputies.

[Wagnerova] What is your deadline?

[Gasparovic] The end of March 1993.

[Wagnerova] Mr. Chairman, you returned from Washington just before Christmas Eve. What news have you brought us?

[Gasparovic] First of all, the news that they had not been aware of the incident with the bugging of the U.S. Embassy [as published] in Bratislava. They did not know of any violations of academic freedoms, and, in particular, they indicated that, if we have any problems, we must resolve them by ourselves.

[Wagnerova] Has there been any mention of Gabcikovo?

[Gasparovic] They were aware of that problem, albeit in a biased and distorted way. I was asked why we had let



the old river bed of the Danube go dry. I explained that the Danube still flows in its own bed.

[Wagnerova] Shortly after your return, C. Lalumiere, the general secretary of the European Council (EC), stated that, before both republics can be admitted to the EC, the implementation of the lustration law in the Czech Republic and the compliance with the rights of ethnic minorities in Slovakia will be scrutinized. What is the basis of this precondition, when several foreign parliamentary groups have already declared that the rights of those minorities in our country are above standard?

[Gasparovic] Mrs. Lalumiere cannot be blamed for stating that issue in such terms because the Hungarian side keeps presenting it as a problem.

[Wagnerova] In this particular stage, Slovak-Hungarian relations seem precarious. What future do you foresee for them?

[Gasparovic] We have lived side by side as neighbors for hundreds of years of our history, and I would be glad if, in the future, we would sensibly continue to coexist.

[Wagnerova] What will happen to the Czechoslovak-German treaty?

[Gasparovic] Thus far, the Slovak parliament has not put the revision of that treaty on its agenda. This question concerns the executive branch more.

[Wagnerova] Ukraine was among the first countries to announce recognition of the Slovak Republic. Does that indicate that it considers cooperation with us important?

[Gasparovic] Naturally, not only Ukraine but also Russia. After all, it is from there that crude oil and gas flow and iron ore and coal come to our country every day. West Europe should only support us in this effort. Russia and Ukraine owe them considerable debt, which they can repay only with those raw materials, and Slovakia may serve as transit for that.

[Wagnerova] Let us return to our own land. After the abolition of the Federal Assembly, the second chamber of the National Council of the Slovak Republic continues to be a moot question.

[Gasparovic] The HZDS submitted to the parliament the law on the establishment of the Assembly, but the Government of the Slovak Republic failed to approve it. In spite of that, at the political board of the National Council of the Slovak Republic, we decided to resubmit it with an explanation of proposals made by certain political parties. Former federal deputies would thus become honorable members of the Assembly of the National Council of the Slovak Republic, and all of their rights and duties, with the exception of their salaries, would remain the same. Furthermore, a proposal was submitted for the establishment of a socioeconomic chamber to determine appropriate standards. We are expected to make the final decision about those proposals by 15 January 1993.

[Wagnerova] However, if they are approved, it will again mean dipping into the meager pockets of the budget. That would not be at all logical. The Federal Assembly does not exist anymore; its deputies have finished their work. And, after all, if there are hidden assets somewhere, health services, the educational system, and sciences would deserve them more.

[Gasparovic] I do not disagree with that. But I know that, if we want to represent Slovakia in the world, we can do it only through a few top representatives. And much needs to be invested in our highest representatives.

[Wagnerova] What will be the destination of the first visit of the chairman of the National Council of the Slovak Republic in 1993?

[Gasparovic] I believe it will be Prague.

[Wagnerova] Mr. Chairman, for which presidential candidate of the Slovak Republic will you vote?

[Gasparovic] I will not tell you his name. It should be a man of good character, integrity, and prudence and one able to represent us.

[Wagnerova] Do you know a man like that?

[Gasparovic] To tell you the truth, so far I have not met any such person.

#### \* Duray Interviewed on Slovakia's Prospects

93CH0327A Bratislava SZABAD UJSAG in Hungarian  
31 Dec 92 pp 1, 4

[Interview with Miklos Duray, president of the Coexistence Political Movement, by Sandor Neszmeri; place and date not given: "New Year Can Bring New Hope or Disappointments; Equal Status as Companion Nations"]

[Text] [Neszmeri] It is the end of the year; people are taking account of the parting year and are making plans for the new one. How are you taking leave of 1992, and what are you expecting of the new year in which there will be no Czechoslovakia?

[Duray] Before I reply, I will try to put myself in the situation of our ancestors who in 1918 experienced the breaking apart of one country and the creation of another, because the present change creates, or can create, a situation similar to the previous one 74 years ago. We know, because we have exact data, that in 1918 the change caused several million people to lose their homeland; tens or hundreds of thousands of families broke apart, friendships stopped for long years or forever, all because state boundaries were drawn between communities that used to live together. Something similar is happening now with the termination of Czechoslovakia, even if the change is not on such a large scale. To those who are sad and cannot get over the "divorce," I usually say that they should put themselves in the position of those in 1918; maybe then they will have an easier time in enduring human tragedies caused by the

rashness, thoughtlessness, and parochialism of politicians. Thus, I am trying to evaluate and summarize in this light what kind of a year we are closing, and what is ahead of us. One can unequivocally say—contrary to the opinion of Czech and Slovak politicians—that 1992 was a politically unsuccessful year. Unsuccessful first of all because the politicians of the victorious parties did not find enough human wisdom in themselves to maintain a common frame, which, moreover, was acceptable to the majority of people in both parts of the country. At least 10 million of the 15 million inhabitants found Czechoslovakia acceptable, and this includes the majority of Slovakia's inhabitants, as well. Actually, the politicians have to take responsibility for the divorce, because it is unquestionably their doing. Of course, the problem is perhaps perceived differently by us than by the Czechs, and Slovak politicians approach the result using yet different criteria. Thus, it is also understandable that from the point of view of Slovak politics, 1992 was a successful year; moreover, it was the most successful year among the last 74. After all, the goal of Slovak sovereignty, the desire of attaining the status of an international legal entity, was present in the entire history of Czechoslovakia, even if in various periods it could not be voiced. However, in the last three years, the way was prepared ever more forcefully for an individual Slovak role in international politics, and within hours, this political desire will be realized: Slovakia will become independent.

[Neszmeri] With this change, the local Hungarians will live in the fifth country in this century, although they have perhaps never left the area of their native village or town. Any way we look at it, this is a tragic lot. What effect can this present change have on the behavior and identity of people in your opinion?

[Duray] This is indeed a fact, and I can give you an example, as well. My mother was a citizen of all five countries, although she lived her entire life in Losonc [Lucenec]. And in this respect I can only repeat the commonplace that from time to time borders zoom over our heads, while we remain and remain in the same place.... But at least we remain, we can remain in the same place. Because there was a period when after a new "border-zoom" we were not allowed to remain in our native country, but instead were deprived of our civil rights and deported.

The Slovakia founded in 1993 will be a country of unlimited opportunities. Innumerable successes may be achieved, but we can also encounter unexpected disappointments. If I look at the entirety of Slovak politics, I am rather pessimistic, at least in the short term. Precisely because Slovak politics, too, are being governed by short-term ideas, and on the basis of these ideas I don't see any possibility for a solution. Consequently, I think that 1993 will be a very difficult year in Slovakia. It will be difficult in economic terms, in social terms, and even in terms of human relations. And it will be especially difficult for Hungarians. Because of political foolishness, political clumsiness, a difficult situation is being created

which cannot be solved simply; thus, tension and dissatisfaction will grow. And the dissatisfied masses can only be restrained if something of someone is sacrificed. If the discontented people are directed against something or someone. And these can only be the Hungarians, because there are too few Czechs and Jews here to be used to disarm the dissatisfaction and the tension.

[Neszmeri] It is indeed true that a new country can entail great possibilities, as well. However, Slovakia is becoming independent despite the fact that the Christian Democratic Movement did not vote for its constitution, that the constitution was strongly criticized even by the Slovak right, which did not get a seat in parliament although it got 10 percent of the votes, and that the Hungarian coalition left the room in protest even before the vote. From the perspective of minorities, the preamble itself is dangerous, because it proclaims the constitution in the name of the Slovak nation, unequivocally signaling the intention of establishing a national state. Under such circumstances, what chances, what possibilities will the minorities have? What can their political forces do, especially the representatives of the parliamentary coalition of the Coexistence Movement and the Hungarian Christian Democratic Movement [MKDM], to legally change the situation?

[Duray] Unfortunately, one can hardly rely on the Slovak constitution or on the federal laws we inherited. And let us leave aside altogether decisions and laws made by the former Slovak parliament. That is to say, human and minority rights are formulated in so few words and occupy so little space in the constitution and the laws that they don't provide any foothold, any appropriate framework for parliamentary legal protection. Not to speak of the fact that one cannot refer to a law which a priori restricts one's rights, because when one refers to it, one automatically accepts the restriction of rights, as well. For this very reason one cannot refer to the language law when demanding adherence to bilingualism, nor can one refer to the Slovak constitution. Of course, this does not mean that our representatives won't do their best in parliament, but as a rule, the laws don't provide any protection to them. Thus, the situation suggests that one go beyond the country's border and make use of the circumstances that were created by Slovakia's independence. After all, it is in independent Slovakia's interests to become a member of various international organizations; it is in its interests to gain international recognition and participate in international cooperation, which has primarily economic consequences. In the phase of pathfinding and establishing relations we have to commend positive international experiences to Slovakia, we must point to internationally accepted principles, and in formulating our demands and intentions we must rely on valid international documents. We must put an unequivocal and clear bill on the table of parliament, and say that this is what we want, and we will not accept anything less. There is, after all, a point beyond which one must not compromise, because then one gives oneself up. Based on international experiences, rights, and documents, we must determine that

point, take a stand there, and begin a legal battle behind which we can line up the Hungarians and other minorities.

[Neszmeri] You mentioned international documents and organizations. I think that up to now the world, and especially Europe, has not devoted enough attention to the minority problem. As a result, it doesn't know how to handle to so-called Yugoslav crisis. And then there is the situation after the break-up of the Soviet Union. Almost from one day to the next, the Russians who found themselves outside the borders of Russia became the largest minority of the world. International organizations are supposedly open to every reasonable suggestion. You said, too, that one must develop concrete proposals and plans. Do the Hungarian politicians and parliamentary representatives in Czechoslovakia have concrete ideas and proposals to penetrate the situation and manage the problems of our region?

[Duray] We have been engaged in developing a unified proposal for a long time; I can even say that for decades we have been looking for the solution that can both create a clear political situation and is easy to handle in legal terms. The result of this long scrutiny and research is that in recent days and weeks a model was assembled which can be presented and outlined and which—I hope—is clear and understandable, as well. Of course we think that the situation must be solved within the given borders. Up to now, ideas were founded on autonomy or a system of autonomies, but we were not able to adequately formulate the relationship between the minority and the majority inside and outside the autonomous region, and we could not find an adequate solution to the question what should happen to those who belong to the majority nation, but who represent a minority in the territory of the autonomous minority. I think we recently found the answer to this question, and the plan is being discussed by representatives of our movement, by virtue of the fact that representatives of the Hungarian Christian Democratic Movement were included in the debate on the document in the Prague Parliament. The essence of the plan is that a partnership must be established in Slovakia between Slovaks and Hungarians, as well as between Slovaks and Ukrainians and Ruthenians. Partnership means that in areas with a mixed population, the concept of companion nation should be developed, due to which regions would be formed which can be characterized by a majority, and would express which ethnic group is in the majority there. In this way, regions with Hungarian-Slovak majority, or Slovak-Hungarian majority could be designated, likewise in the relationship between Ukrainians and Ruthenians and Slovaks, depending on which ethnic group represents the majority in the given region. Within these majority regions there could be minority areas; here, an ethnic group, the proportion of which is less than 50 percent but greater than 10 percent, would enjoy minority rights. This is a little similar to a federation, but it is not the same, because this system would rest on the self-governments, and thus would not be burdened with complicated

constitutional and legislative tasks. Thus, in this system we are talking about a division which is largely reminiscent of the Swiss cantons or the Belgian regions, and not about partner republics. But we could bring up the example of the situation in South Tirol or in Finland. Finland is an especially positive example in this respect, because in its entire area there is a partnership between Finns and Swedes, which means essentially equal status. In the partnership or companion nation relation, the key word is equal status which, in legal terms, means much more than equal rights. Because in legal terms equal rights means only that in court one cannot administer lesser or greater punishment for the same crime on the basis of nationality, or that if a Slovak child has a right to go to school, than the Hungarian child has the same right. However, equal rights do not mean anything beyond that. On the other hand, equal status means a priori in legal terms, as well, that if the Slovak child has the right to go to a Slovak school, than the Hungarian child has the right to a Hungarian school or, if Slovak people can go to a Slovak theater, than citizens with a Hungarian nationality have the right to a Hungarian theater, and so on. And in the case of ethno-regional units, equal status of this kind means that another ethno-region cannot interfere in the matters of my ethno-region, and in inter-ethno-regional matters I can only be forced to take any steps if my region has decided the matter in a referendum.

[Neszmeri] From this plan it follows without doubt that in regions inhabited by a mixture of ethnic groups, in some cases Slovaks, who are in the majority on the national level, would enjoy minority rights.

[Duray] Exactly.

[Neszmeri] Is there a concrete idea which areas would comprise which regions?

[Duray] Such regions must not be created artificially. The matter is simpler if we consider where Hungarians, as well as Ukrainians, Ruthenians, and the scattered Germans and Croatians live now. The Hungarians in Slovakia live in a block in an area of approximately 9,000 square kilometers. In this area, there are 435 municipalities where Hungarians are in the majority, or rather, overwhelming majority. Altogether, Hungarians live in numbers exceeding 10 percent in 523 villages and towns, and only in 27 municipalities in a dissociated way where their number does not reach 100, or their proportion does not reach 10 percent. This characteristic gave rise to the idea we talked about before, namely, that we can distinguish three kinds of regions: majority, minority, and dissociated. This quantitative approach would create the system of ethno-regions, or autonomies. This system, coupled with the concept of companion nation, with the essence of this concept, creates a new legal situation and this, in turn, solves the most debated question which we were unable to answer up to now in formulating our demand for autonomy, namely, what should happen to the Slovaks who live in the autonomous areas. In essence, we were also unable to decide

what kind of an autonomy there should be. Linguistic? Cultural? Regional? Thus, the objective definition of a companion nation was the key to the system of autonomy, and it can provide a solution which could advance the relationship between Slovaks and Hungarians to an exemplary level. However, I must stress that companion nation is a political concept, just as the right to equal status, and has nothing to do with the concept of a cultural nationhood, or with the cultural nation itself. It can be derived from the fact that citizens of various nationalities live on the territory of a state, and they act politically within the borders of this state. Thus, the minority is a companion to the majority nation in the system of joint political actions which divide it from the mother nation with which it otherwise shares a language and culture. Thus, if we define ourselves as a companion nation, it does not mean that we want to create a new group of Hungarians, those in Slovakia, as a nation. There is no question about that. We are only expressing our affiliation, our location in the world in political terms.

[Neszmeri] As you told us, this new concept could solve the legal situation, language use, and the satisfaction of the educational and cultural demands of Slovaks within the system of autonomy, just as—I think—it would solve the language use, education, and so on of Hungarians living in a nonmajority region.

[Duray] I think the most important question is that of language use, because it directly influences every other identity-preserving instance, i.e., culture and education, as well. And the question of language use must be approached completely differently than the way it has been done so far in Slovakia. Simply: Exclusiveness must be forgotten. This means that in a Hungarian majority area, the first language would be Hungarian, and the second Slovak, which would, however, not mean any kind of restriction, because both languages would have equal value, equal rights, and equal status. At the same time, a Hungarian could deal with official organs in Hungarian, and officials would be able to handle an entire affair in Hungarian as well as in Slovak, and in another language within a different ethno-region. The situation would be similar in the relationship between the regions; that is to say, two Hungarian majority ethno-regions could conduct correspondence and negotiations with each other in Hungarian, while with a Slovak majority region they would use Slovak, the majority language of the country. Thus, the determining factor could be the self-government, where both languages would have equal value, which means that a Slovak minority individual would not be disadvantaged even if he did not know one word of Hungarian.

[Neszmeri] However, when it comes to autonomy, or a system of autonomies, even the Hungarians in Slovakia have reservations. Most of them accept the concept of a cultural and educational autonomy, and the idea of self-administration, but they are afraid of regional definitions, saying that economically there is already a certain amount of backwardness; already, the most

unemployed can be found in the southern and south-eastern districts, and if it becomes autonomous, this area will become completely impossible. I am asking thus from this perspective what kind of a reaction you expect from your voters?

[Duray] First of all, I want to declare that I don't see such a danger; on the contrary, I think that the system of autonomies, coupled with the concept of companion nation, presupposes the existence of structures of self-government and public administration which have the authority to make decisions on the regions' economic priorities, the direction of development, the establishment of foreign relations, and this can lead to rapid improvement. If for no other reason, then because the old system of subsidies will sooner or later disappear, or will be limited to areas such as the development of highways and railroad networks, communication projects, and the like. Of course it is a fact that up to now the self-governments were at the mercy of the central government, but the present situation is untenable; in other words, I suppose that soon a modern, differentiated system of taxes will be developed which includes three levels, namely central, regional, and local taxes in appropriate proportions, in which the local or regional utilization of value added taxes must essentially be insured. In the meantime, a different system of social insurance should also be developed, so that the central social subsidy would be limited locally to the poor and other needy people. Under such circumstances an ethno-region, be it a Hungarian, Ukrainian, or Ruthenian area, could utilize its geographic potentials much better than before in international trade, and this is also a factor which can provide jobs and an economic upswing.

[Neszmeri] In your opinion, how will this new theory be received by the Slovaks? One of the neuralgic points of the Slovak-Hungarian relations is the fear of the Slovaks that the border could be modified. The article of the Slovak constitution which deals with minorities ends with the statement that the enumerated rights do not endanger Slovakia's integrity, even though these minority rights are of a rather declarative character and are very limiting. Couldn't this new approach, the theory of a companion nation, lead to new tension in the Slovak-Hungarian relationship and an uproar among the Slovaks?

[Duray] Everything can cause an uproar, since every one of our proposals, including those which had nothing or only little to do with a minority position, was turned down so far almost with indignation. However, I think that we could fend off the accusations which we have been barraged with in the past 74 years, namely that we are working on breaking the country apart and are intent on violating its territorial integrity, precisely with the concept of a companion nation. After all, the companion nation a priori implies that we want to live together and comprise one state together with a companion, with another nation, and we want to organize life in it together. Not to speak of the fact that in this way a guarantee is created, a reciprocity within the state, which

means the reciprocity of the legal protection of minorities in any area. After all, the legal protection of the Hungarian minority living in a Slovak environment, and of the Slovak minority living in a Hungarian environment, demands the maximum amount of legal security and legality for both parties, as well as the creation of straightforward rules. I can simply not imagine anything that would be better suited to stop mutual accusations. For me the question is rather, if they turn down this proposal as well, what other, reasonable proposal can we come up with which could settle the situation without anyone having to give up his individuality?

[Neszmeri] You mentioned that international experiences and documents can provide a very important stronghold in settling the minority problem. Does this new concept have an international background, can it count on the support of other countries or international organizations?

[Duray] It is very important that our concept is founded on international experiences, and we put it on paper after having discussed every detail of it with politicians of various nationalities. We coordinated our ideas with Holland and Belgium, we took the opinion of Swiss and Swedish experts into consideration, and we discussed our ideas with and reported them to international organizations, as well. Negotiations helped us to continually improve our proposal; thus, it is not only our own opinion that the present document is the most acceptable, and can best preclude the possibility of accusations, and can best serve the interests of Slovak-Hungarian coexistence.

[Neszmeri] Nowadays it is said more and more often—especially by minorities—that international organizations should formulate not only recommendations in connection with minority issues, but also concrete resolutions which the signatories would be obliged to adhere to. Is it not possible for either the European Council or the member countries of the European Conference on Security and Cooperation or the UN to discuss your concept and make it the basis for the formulation of such a resolution?

[Duray] I think the UN is not suitable for this task, because it comprises more than 170 countries with such diverse regional characteristics that they would not know how to deal with it. On the other hand, it is not impossible, it has even been discussed that we will inform the countries participating in the Helsinki process of our ideas, because so far this is the organization which has the best established network of experts in the evaluation of minority and ethnic issues; in other words, the European Conference on Security and Cooperation itself initiated many new ideas to solve the minority problem. We have a good chance to be heard because today in Europe it is the unsettled minority problem which presents the greatest danger of conflict, and this organization has a role in crisis prevention, as well. The situation is different in the European Council. They also frequently discuss minority and ethnic issues, but to a

certain extent they have a problem even with the definition of minorities, with distinguishing minorities who are original inhabitants from minorities who are guest workers. One cannot say that the European Council is insensitive to the problem, and because our ideas of a companion nation could solve at least the problem of minorities who are original inhabitants, it is not impossible that we will be heard by them, too.

[Neszmeri] The Forum of Central European Ethnic Groups has its headquarters in Vienna. This Forum grapples with very difficult issues, because it is perhaps our region which has the largest number of minorities, while even members of nations in a majority position cannot always say that their ancestors have always belonged to one nation only. Could this Forum initiate the development and acceptance of such a theory?

[Duray] I am the vice president of this Forum, and I can say that we have discussed both the problem of autonomy in Vojvodina and the possibility of autonomy for Hungarians in Subcarpathia. There, too, many questions were formulated which could be answered by the concept of a companion nation, and it was precisely the information and experience I gathered there which make me say that this concept is the best way, the best solution in our region. I think that since we said yes to this idea, nothing can hinder us from turning to various international organizations with it.

[Neszmeri] Finally, let me find out what you will wish your wife, Zsuzsa, and your son, Aron, in the moment which greets the new year and the new country that is perhaps addressed not only to them....

[Duray] I will wish—very selfishly—that my son be registered finally without any problems. He was born in the United States. We have not succeeded since 1989 to have my son, named Aron Balint, registered. If this can happen in 1993, it will signal that the situation has changed for every inhabitant of Slovakia, including us, Hungarians, as well.

[Neszmeri] Thank you for the interview.

#### **\* SLOVENSKE POHLADY Appears in Parallel Editions**

##### **\* Editors' Views Differ**

93CH0296A Bratislava SMENA in Slovak 9 Jan 93  
pp 1-2

[Commentary by (rea): "Views on Views"]

[Text] Perhaps it is just because we want to be "more visible" in the world that we have to duplicate everything. Since 1 January, we have been dividing, and dividing, and dividing.... Territory, money, past sins. And periodicals....

SLOVENSKE POHLADY [Slovak Views, hence the headline of the commentary] recently ruffled the

peaceful surface of the stagnant "intellectual" waters when two different periodicals with the same name appeared on the counters of the newspaper kiosks. Jan Strasser, chief editor of the "old" monthly, said that SLOVENSKE POHLADY, even before the revolution of 1989, very sensitively reported the events of that time and, indeed, was the only one to come out against them. He considers this monthly to be a well-established one and expressed his indignation at the fact that the masthead of the magazine was used by the Matica Slovenska publishing house to publish its own periodical. Jan Strasser's "opponent" in this case is Milan Ferko, chief editor of SLOVENSKE POHLADY '93. "I assume that the Ministry of Culture of the SR [Slovak Republic] and the Ministry of Finance will not support a magazine whose oppositional nature has changed into a persistent anti-Slovak orientation. It is enough to read through the article by M. Kusy on the Slovaks, or the article by M. Simecek on the Slovak language, which sounds to him like primitive bleating and the twittering of birds. These were the reasons that Matica slovenska decided to publish SLOVENSKE POHLADY '93," stated Milan Ferko.

We asked at the Ministry of Culture of the SR how they see this problem. "The MK [Ministry of Culture] of the SR will discuss the question of subsidizing the magazines in 1993 in the next few days, taking into consideration the resolution of the NR [National Council] of the SR on education, science, and culture, which recommends that one professional magazine for each artistic field be subsidized from the financial resources of the MK of the SR," the spokesperson for the Ministry of Culture of the SR, Dr. Josef Sucha, told us.

#### \* Ferko Gives His Reasons

93CH0296B Bratislava PRAVDA in Slovak 5 Jan 93  
p 11

[Interview with Milan Ferko, editor in chief of SLOVENSKE POHLADY '93, by Peter Holka; place and date not given: "Are We Slipping into Another 'War'?"]

[Text] In the last days of the past year, the new literary magazine SLOVENSKE POHLADY '93, whose publisher is Matica slovenska and its editor in chief Milan Ferko, appeared on the market. And so all at once we have duplicate SLOVENSKE POHLADY magazines on the market, and, obviously, along with this is another scene for conflict. We asked editor in chief Ferko right at the start, "Why the title SLOVENSKE POHLADY '93?"

[Ferko] The monthly magazine SLOVENSKE POHLADY '93 started coming out on the basis of a resolution of the general assembly of Matica slovenska held in August 1982 [as published]. It established a committee to request the return of former property, including the magazine SLOVENSKE POHLADY, as part of the restitution within the sense of the applicable

by-laws. Matica did this when it requested the Association of Writers Organizations of Slovakia (AOSS), which has been the publisher of SLOVENSKE POHLADY for a year and a half now, to return it with the provision that the minister of culture would guarantee the AOSS the same subsidy SLOVENSKE POHLADY has for a new literary magazine.

[Holka] As far as I know, AOSS has not returned SLOVENSKE POHLADY to Matica and obviously does not even intend to stop publishing it....

[Ferko] So far, the association has not returned SLOVENSKE POHLADY. The law on restitution and the return of property to Matica slovenska has not been approved yet. And so Matica began to publish a monthly under the title "SLOVENSKE POHLADY '93," supporting the message of the magazine that for decades, and I guess even for the entire existence of Matica, has been connected with its activities and traditions.

[Holka] But, after all, suddenly there are duplicate SLOVENSKE POHLADY magazines on our market; won't this touch off a quarrel, and won't the publishers end up in court?

[Ferko] No, for one thing, we have registered under this title in the normal manner and, for another, Matica slovenska has the resources to publish such a magazine. I fear that the AOSS will not have such resources because the minister of culture, after all, cannot give subsidies to both SLOVENSKE POHLADYs....

[Holka] What is the ambition of your magazine?

[Ferko] The ambition is to assist in the intellectual development of Slovakia, without regard to the provenance of the authors—that is, whether they are Catholic or Protestant, rightist or leftist, young or old, and so forth. Another matter is the attempt to involve Slovak artists abroad in the creation of the magazine, proof of which is the fusion of the Canadian POHLADY with us. We will thus present contributions from the other centers of Slovak life around the world. A third ambition is to present translations of good quality so that we can measure ourselves against the rest of world—that is, to the level of world literature.

[Holka] Will your editorial staff be up to all this?

[Ferko] I think it will because we have editors only on external contracts. We do not want a large number of in-house editors. We are producing the magazine by using new technology that makes it possible for us to get it out for sale rapidly. The production of the first issue did not take us even a month. As a test, we printed 4,000 copies, and we will use the greater part of them for advertising purposes and for our countrymen abroad. There will be several hundred copies going just to Canada, and there is interest in it in Australia, to say nothing of Hungary, Romania, and Yugoslavia.

## Macedonia

### **Demands of Democratic Party of Serbs Scrutinized**

93BA0534A Skopje NOVA MAKEDONIJA in  
Macedonian 23 Jan 93 p 13

[Article by Aleksandar Damovski: "The Facts Are Overwhelming"]

[Text] *The DPS [Democratic Party of Serbs] demands the opening of churches in which the service will be performed in the Serbian language, even in areas inhabited by a single Serb but, most frequently, even without a single Serb. Demands to include the Serbs in the Constitution and in the government are justified. In Kuceviste only 10 of the 25 surveyed parents expressed the wish that their child enrolled in the first grade be taught in the Serbian language.*

The steps taken by the Democratic Party of Serbs in Macedonia and directed at international institutions, naturally on behalf of all Serbs in Macedonia, although essentially oriented toward the situation of the Serbs in the Republic, remind us in many of its features of familiar steps taken in the past, with the same familiar outcome. Refusing to abandon such tactics and acting in total coordination with some authorities in the mother country (such as, for instance, the SPC [Serbian Orthodox Church]), and ignoring the already obvious consequences of such strategy, the DPS is focusing all of its expertise and skill on, first of all, convincing the citizenry that it would like to represent and, subsequently, the public at large, that Serbs in Macedonia are the most discriminated-against population in that country. For the time being, this project "affects only part of the Serbian enclave in the area of Skopje Montenegro, on which its present activities are focused. The information presented about this situation, listing the demands of Serbs in Macedonia, addressed to the Macedonian authorities and signed by Boro Ristic, DPS chairman, states that that party has pointed out for quite some time the inequality of and discrimination against Serbs in Macedonia and against the Serb collective, compared to the other collectives and ethnic groups in the Republic." The second part of the same information demands of the parliament, the government, and the president of the Republic a constitutional amendment that would definitively settle the legal status of Serbs in Macedonia and "the granting of equality between Serbs and all other ethnic groups in Macedonia."

It is true that ethnic Serbs are the only ethnic group in the Republic not mentioned in the Constitution. However, at least according to the interpretation of the framers of the Constitution, this was due to the still existing possibility of the survival of Yugoslavia in some variety of confederation. At the Geneva conference on the former Yugoslavia, in their discussions with Gert Arens, the chairman of the Ethnic and National Minorities Group, the representatives of the government's

delegation said that Serbs in Macedonia will have the same rights as other ethnic groups within the Interethnic Relations Council, and that, in principle, their demand to be mentioned in the Constitution is considered justified. This means that this issue would be quickly resolved. However, the demand formulated by Dobrivoje Tomic, the DPS deputy chairman, for Serbs to be considered a separate nation in the Republic, creates an opportunity for "playacting" a state of constant dissatisfaction, as well as fabricating an image of threat to the "Serbian population" in Macedonia.

### **Religious Services Even for a Single Serb!!!**

The second DPS demand is the establishment of church opstinas in "the areas of Skopje Montenegro, Kumanovo-Pcinja, Skopje, Navrovo-Polog, Titov Veles-Gevgelija, Porecje-Ohrid, and Zletovo-Strumica." This would encompass virtually two-thirds of the Republic where, according to the DPS, there is a Serbian population in whose churches "services to be performed by SPC priests." Such a request for the named areas and villages, where the percentage of the Serbian population is either zero or less than zero, and considering that the SPC does not recognize the autocephalic nature of the MPC [Macedonian Orthodox Church] is, to put it most mildly, unheard of. An obvious consensus of views was noted at the meeting held on 24 December 1992 at the Sv. Prohor Pcinjski Monastery between SPC Nis Bishop Irinej and Vranje Bishop Pahomije, on the one hand, and representatives of the so-called SPC church communities in Macedonia and the demands of the DPS, on the other.

In a statement issued to NOVA MAKEDONIJA, Polog-Kumanovo MPC Metropolitan Kiril said that "we can discuss this topic only after regular relations have been established between the two sovereign states, the Republic of Macedonia and the Republic of Serbia, along with relations between the MPC and the SPC, on an equal autocephalic basis. At that point, should we be able to find a common language, SPC priests could come and build temples in Macedonia, should their flock be unwilling to attend the holy temples of the MPC; on the basis of reciprocity, MPC priests would do the same for Macedonians living in Serbia. However, this will not take place on the basis of usurpation or coercion, which is what the SPC is trying to do. Such issues could be resolved by observing the Constitutions of the Macedonian and Serbian states and of the MPC and SPC and their legitimate structures."

On the issue of opening churches in several villages in the Porecje area (according to the 1991 census 34 Serbs live in the Makedonski Brod Opstina), two days ago the Porecje Assembly Association reported that "it opposes most strongly such ideas and aspirations, with disgust and a feeling of profound national hurt."

For example, the report of the "church opstina of the Porecje-Ohrid region" calls for establishing churches in the villages Kosovo, Samokov, Rastes, Cresnevo, and



Zvecan where, according to the 1981 census (the data from which were interpreted in Belgrade) there is only one Serb.

### Big Appetite

The third part of the demands, entitled "Cultural Autonomy," applies essentially, according to them, to problems related to education as well; it is the result of the excessive appetite of the DPS, coinciding with a first claim that there are more than 200,000 Serbs and, a second claim, that there are more than 300,000 Serbs living in Macedonia.... During that same school year, primary schools were attended by 779 students instructed in the Serbian language. Furthermore, the Law on Preschool and Primary Education (Article 75, paragraph 4) stipulates that the number of students per grade should be between 30 and 35. Currently, however, in the primary school of Matejce Village there is a fifth grade in which instruction in the Serbian language is provided for a single student. Classes in which instruction was given in the Serbian language in the Pestaloci School in Skopje have been closed down since last year. Last school year, the Republic's Ministry of Education was financing in that same school training in the Serbian language for six students in the second grade, nine students in the third grade, eight students in the fourth grade, 15 students in the fifth, 16 in the seventh, etc.

This school year, when the usual survey of parents of first-grade students was conducted in Kucevste Village about the language in which they would like their children to be taught, 10 of the 24 parents of first-grade students asked that they be taught in the Macedonian language, and 10 asked for instruction in the Serbian language, while the other parents did not complete the survey forms or expressed no preference. In Poboze Village, in the same area, 12 of the 14 surveyed parents asked for teaching to be provided in the Macedonian language.

There are nine primary schools in the Republic which provide instruction in the Serbian language, in the Skopje, Kumanovo, and Titov Veles opstinas. The same criterion for organizing classes to provide instruction in the Serbian language was used for secondary schools as well, and a large number of students did not show up in even a single secondary school. The Ministry of Education interprets this as a consequence of the departure of people employed by the JNA [Yugoslav People's Army] from the Republic.

As to their other demands involving the organization of a theater, a cultural and arts society, a Serbian-language weekly, and television and radio broadcasts in the Serbian language... these are all current problems that must be resolved but which, at this point, depend above all on the financial ability of the state and not on anyone's intentions, channeled within a "state anti-Serb policy," as the self-anointed and self-proclaimed "leaders" of the Serbs in Macedonia would like to have the public believe.

The facts, however, prove something entirely different.

### Secret Paramilitary Units in VMRO-DPMNE Scandal

93BA0509A Skopje NOVA MAKEDONIJA in  
Macedonian 13, 14, 15 Jan 93

[Article in three installments by Aleksandar Damovski:  
"They Want To Get on Top of Us Again!"]

[13 Jan p 4]

[Text] *The activity of its own members for the formation of a national army and the tendency for this to be legalized is being characterized by VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] as a "perfidious entrapment by the SDB [State Security Service]"; the Bulgarian intelligence service's connection with the VMRO-DPMNE Foreign Committee's initiative for the formation of a national army.*

The "spy thriller" filmed in an MVR [Ministry of Internal Affairs] production on 16 April 1992 at the Sina Ptica [Bluebird] Hotel near Kocani, parts of which were publicly shown at VMRO-DPMNE's press conference on 6 July 1992, still remains one of the most "inspiring" police scandals. According to the evidence "for" and "against" presented to date by the three sides—VMRO-DPMNE, the SDB, and the Macedonian National Guard [MNG]—party publicity and the disaster of its own marginal status may be the results of this scandal.

For the public, everything started with VMRO-DPMNE's press conference on 6 July 1992, when, before showing parts of the film from a video cassette recorded during the MNG's meeting with representatives of the SDB and the ARM [Army of the Republic of Macedonia] at Sina Ptica, this party's general secretary, Boris Zmejkovski, announced that "the SDB is using the perfidious entrapment of members of the party in order to discredit and compromise it before the public...." Furthermore, Zmejkovski continued: "The three main participants in the meeting at Sina Ptica, Dobri Velickovski, chief of the SDB's Second Administration, Ljubo Jovanovski, an employee of the KOS [counterintelligence service] and UDBA [State Security Administration], and Dragan Stojmanovski, an officer of the ARM, are exploiting the national orientation of the members of the VMRO-DPMNE and pushing them into the waters of terrorism and crime, while not concealing who is involved and why.... It can clearly be seen what kind of function the police and the SDB have.... We demand the resignation of President Kiro Gligorov and the resignation of Minister of Internal Affairs Ljubomir Frckovski; we are demanding that the public prosecutor initiate proceedings against the representatives of the MVR and the ARM and determine the government's responsibility for such intolerable actions by the police."



**"The SDB Is the Sponsor of a Terrorist Group"**

In the public showing of parts of the three-hour cassette filmed in the Sina Ptica restaurant, judging by the choice of portions but also the interpretation of VMRO-DPMNE President Ljupco Georgievski, this had to do with the organization of a "terrorist and paramilitary formation under the sponsorship of the SDB," called the TMRO-MNG [Secret Macedonian Revolutionary Organization-Macedonian National Guard]. From the method of the production of this "thriller," it is clear that all those present in the restaurant (15) were aware of the presence of the lens of photographer Trajce Arsovski, i.e., it was not a question of any sort of police "spy eye." At the VMRO-DPMNE press conference, it was also said that the cassette "was borrowed from the SDB in an interesting way through our own channels." The filming of the meeting at Sina Ptica, both according to the MVR's communique and according to the statements by the members of the MNG's secret committee, was done at the request of the participants.

The central figure in this whole affair is Ljubo Jovanovski of Brussels, a former emigrant, a metal worker, a member of the Macedonia KSRD [Cultural-Sports-Religious Society] in Brussels, president of the St. Ilija Church parish, a former member of the OKM [Macedonian Liberation Committee], of the DOOM [expansion not given], and of VMRO-DPMNE, and that party's chief controller of the foreign committee, and today member of the newly founded party MNF [Macedonian National Front]. According to a decision by the VMRO-DPMNE Foreign Committee, adopted in Hamburg on 4 January 1992 on the formation of a "national army," Jovanovski, together with Bozil Mancev from Paris, was designated the chief coordinator for the formation of the army and for collecting financial resources.

"The formation of the army," Jovanovski said, "was planned only in the event of aggression and a repeated partition of Macedonia. The previous chairman of the Foreign Committee, Dragan Bogdanovski, after learning about the manipulation of this Committee in Bulgaria and after the contacts with Stojce Naumov, the chief collaborator of Lebamov from the MPO [Macedonian Patriotic Organization] in Toronto and the offered assistance of 10,000 special forces troops, Bulgarian soldiers, submitted his resignation and disassociated himself from this committee's activities."

**Bulgarian "Fraternal" Assistance**

The new chairman of the Foreign Committee was elected last January—Mane Jakovlevski from Berlin, who together with Risto Pargov from Brussels made contact again with Bulgaria, where, according to the MVR's 23 December 1992 communique, "they conducted negotiations with representatives of the Bulgarian army on obtaining military assistance for Macedonia for achieving independence. In the talks that were conducted with a Bulgarian general who declared himself to be a 'Macedonian-Bulgarian,' direct assistance was also

offered in the form of 10,000 specially trained soldiers for action in Macedonia, who, for the international public, would be 'Macedonian-Bulgarian volunteers' from Bulgaria. In addition to Jovanovski, these contacts were also attended by a long-time collaborator of Vajco Mihajlov, Metodija Dimov from Brussels, otherwise a collaborator of the Bulgarian intelligence service, with whose assistance and through the close cooperation achieved with the Vrhovist VMRO-SMD [Union of Macedonian Societies] in Sofia, the Foreign Committee's representatives were received by the advisers of high-level Bulgarian officials and at several ministries."

Jovanovski did not agree with this kind of activity on the part of the Foreign Committee, or with Jakovlevski's advocacy, of which the VMRO-DPMNE leadership was also informed, and rejected the agreed-upon action for "unification and joint action for the creation of a Free and Independent Macedonia," with the pro-Bulgarian organization MPO from the United States and Canada and with the Vrhovist VMRO-SMD from Sofia.

"The game is being repeated," Jovanovski said. "They want to get on top of us again," I was told by Risto Pargov after his return from Sofia. In spite of everything, I came to Macedonia and started activities for the formation of the MNG, with the knowledge of Mane Jakovlevski, Risto Pargov, Bozin Mancev, and Dimko Necevski from Denmark.

**[Box, p 4]**

*From the minutes of the meeting at Sina Ptica: "The National Guard Against Vrhovism"*

Novica Arsovski: "This is a nonparty activity and for that reason we are not bothering the party. In the event that the Macedonian Army turns out to be working for Macedonian interests, then the TMRO-MNG will be part of the Macedonian Army. If it does not turn out that way, the TMRO will shift and will assume the role of Macedonia's protector.... The National Guard is acting as a counterweight to the formation of the Muslim state.... The National Guard will fight against Vrhovism and against everything that is for the repeated division of Macedonia and for the defense of Macedonian territory, which has to be conducted on both mental and cultural levels.... The members of the MNG can be recruits from Macedonian families. In connection with the training of special forces, strike groups, the use of all types of weapons, and sabotage activity, the MNG will cooperate with emigres.... Ten traitors will be punished for each of our members killed. The center of the organization will be Strumica...."

Dobri Velickovski: "I think that you should not act illegally with respect to the existing authorities, namely the Army of the Republic of Macedonia and the existing services for the protection of the constitutional order of this republic. You can remain illegal with respect to the broader public, families, parties... but we cannot accept any sort of underground in the existing authorities."

One of the Guard members: "We are not asking to be part of the army, of the top body. Some things, if it is not all right, let us at least coordinate them together so that we can be on the same frequency...."

Dobri Velickovski: "I am seeing most of you for the first time, except for Ljubo, whom I have known for years.... My guarantee for coming here and talking with you is my acquaintance and long and rich cooperation with Ljubo for the good of this country. The presence of Dragan, who likewise knows Ljubo well, is also on the same basis... No one can tolerate undertaking any sort of action unilaterally. If you are prepared to make yourselves available to the ARM and the SDB it has to be known who commands. At the very beginning, I want us to make it clear whether we are prepared for something like this or not. If we cannot, we have seen each other, and let us part without any consequences whatsoever. I can guarantee you that...."

[14 Jan p 4]

[Text]

#### Naive Party Publicity

*The MNG is developing a strategy, tasks, and goals for defense—bridges, water reservoirs, economic installations... and the ARM is about to be established; after the initiators of the national army refused to cooperate with Bulgaria, VMRO-DPMNE considered the MNG a "terrorist paramilitary formation created by the SDB."*

The first meeting of the Secret Committee of the MNG was held in Strumica, in the spaces of the VMRO-DPMNE section. At the meeting, the Foreign Committee's initiative for the creation of the MNG was unanimously accepted. Meetings were being held in Kratovo, Sveti Nikole, Kocani, Probistip, Stip.... "But here in Stip," Jovanovski said, "we encountered a strong Vrhovist faction, just as at several other sections, when we were told that there was no need for the formation of the MNG because Macedonia would be assisted by Bulgaria."

Disagreements and rebellion began somewhere around this time.

After the acceptance of the initiative, specific issues also started to be examined at the meetings in the other cities—the statute, goals and tasks, and the method of organization and action. According to the statute, the MNG's action was only contingent upon a possible external aggression against Macedonia. For this purpose, specific plans, tactics, and marked maps were worked out, the goals of the defense were specified (bridges, water reservoirs, economic installations...), the method for arming, the training of the Guard members in Brussels.... "Our goal was defense, and not destruction," said Ilco Bojkovski, one of the Guard members. According to Ljubo Jovanovski, 40 Legionnaires, "mercenaries," were already "purchased" much earlier in Brussels to assist the MNG. The final activities in the formation of the

MNG, of which the VMRO-DPMNE leaders were regularly informed, according to all the available information, coincided with the JNA [Yugoslav People's Army] withdrawal from Macedonia and with the beginnings of the formation of the Macedonian Army. The formation of the MNG, however, was in its final phase. The formal oath had already been given in the church in the village of Kukljuc.

The coincidence of the JNA's withdrawal from Macedonia (15 April 1992) with the formation of the MNG (January-April 1992), as well as with the formation of the ARM, however, put this activity by the TMRO-MNG's Secret Committee on the other side of the law. The initiators of the MNG think that this would do more harm to Macedonia, and the initial contact with the SDB and the ARM was decided on.

#### "Red Light for the Patriots"

The highest leadership of VMRO-DPMNE was regularly informed about the activities of what the VMRO-DPMNE president called the "terrorist and paramilitary formation created by the SDB." Finally, most of the MNG's members are or were members of this party as well, and one of them, Risto Terziev, was even a member of the party's Central Administrative Committee. After certain indications that representatives of the MNG were in contact with the SDB and the ARM, VMRO-DPMNE's highest leadership constantly told the members of the Foreign Committee, including the Guard members, that a "Serbo-communist army" was being formed in Macedonia. After the MNG's contacts with the SDB and the ARM, the Guard, for Ljubo Georgievski, became a "terrorist and paramilitary formation organized by the KOS and SDB's man Ljubo Jovanovski."

"Mr. Ljubo Georgievski is avoiding explaining the motives for the formation of this legal organization," said Novica Arsovski, one of the MNG's more active members. "The public should be told that the initiative for the formation of this group was started as a result of the uncertain situation in Macedonia. This was a red light for the group of patriots who, on their own initiative, were organizing to provide the initiative in the beginning for organized resistance to a possible external and internal enemy. Since TMRO-MNG was careful not to make a mistake, the contacts were made at the meeting at Sina Ptica. Let us recall that the VMRO-DPMNE party did not find and did not offer an original way of getting out of this situation, and instead only presented the actual situation in the country. In VMRO-DPMNE's leadership, a public political scandal was created. For us, that attitude is likewise transparent and completely unfounded. It is an unprecedented attack against the group. Ljupco Georgievski went so far in his free improvisations as to create naive publicity for the party out of all this. He raised the question of some kind of terrorism, which has yet to be subsequently investigated. This group of ours, as individuals, has always been and will be against terrorism. Is a Macedonian, as a

patriot, a terrorist if he expresses the desire to organize on his own in order to defend himself against a possible external and internal enemy? We are far from working underground, against the law. I can claim with full responsibility that the MNG's members have not carried out any action except for the activity of just one member, Stoe Jakimovski, which does not have anything to do with this group," said Novica Arsovski, a member of the MNG.

### Mutual Briefing

On 15 April 1992, in Ljubo Jovanovski's apartment in Skopje, at the request of several MNG members for contacts with the MVR and the ARM, the first meeting was held between the Guard and representatives of the Macedonian Army and police (Colonel Dragan Stojmanovski and Dobri Velickovski). A meeting was also scheduled for the next day at the Sina Ptica motel for a mutual briefing on the activities to date—the formation of the MNG and the establishment of the ARM.

"As a professional and for the Service, I had to respond to that invitation. The attempt to accuse the SDB of 'political interventions' and involve it in everyday political publicity for individual parties is unacceptable for the legal exercise of the function of the Republic's security, which is its constitutional and legal obligation. At the meeting at Sina Ptica, Dragan Stojmanovski and I were informed about the formation of the MNG, the meeting held on 12 April in Strumica, and the fact that this organized formation was to be trained and prepared for armed actions and operation in defense of the territorial integrity and sovereignty of the Republic of Macedonia. For our part, however, it was stated that the ARM was being established and that any sort of attempt to form of illegal paramilitary formations was punishable according to the Constitution of the Republic of Macedonia and the law. They were likewise warned about the seriousness of the consequences of the formation and operation of any form whatsoever of such formations, which could not be tolerated in any case," said Dobri Velickovski, chief of the SDB's Second Administration and one of the figures most attacked in this "affair."

[Box, p 4]

### Members of the Guard

The members of the Guard were: Risto Terziev, Blazo Tilen, Slavco Mitevski, Novica Arsovski, Stojance Jakimov, Trajce Arsovski, Laki, Blagoj Dimitrov, Ace Nikodimov, Venco Naumov, Aco Spacovski, Ilija Bacev, Gece Krstev, Risto Pargov, Dimko Necovski, and Ljubo Jovanovski. Several of them, as part of the preparations for the MNG, have already had several days of training in Brussels.

Risto Terziev, a former Legionnaire in Algeria, was appointed commander of the Guard.

[Box, p 4]

*From the minutes of the meeting at Sina Ptica: "We Should Cooperate Together for Our State"*

Dobri Velickovski: "The fact is that in this Defense Committee there are also people who are in contact with Vrhovist circles in Bulgaria, or more precisely linked with the Bulgarian security service. I do not agree, however, that we should call the whole Committee Vrhovist...."

Stoe Jakimov: "I am a member of the party, but I see that some people are defiling its name.... I am in favor of defending Macedonia, and its independence, but I do not want to replace the Serbian slavery that existed until yesterday with a Bulgarian one, or an Albanian one, or a Greek one...."

Dragan Stojmanovski: "Your place will be in these armed forces with a specific agreement and clearly defined task, like all the reserve personnel in this Macedonian army of ours. That is the basis for continuing this conversation of ours.... All of this will be in the legal army...."

Dobri Velickovski: "You will be called up legally like all the reservists, but you will have special training...."

Ljubo Jovanovski: "When the JNA left, we in the diaspora were seized by panic that we would be left like fish to some sort of terrorist actions and destruction. I did not come here to destroy, but rather to do something to prevent those who would come here to destroy.... We should cooperate together for this country. No matter what it is like, poor, we will fight to pull it out of the economic crisis because there is a lot of room for work here.... We formed the VMRO-DPMNE, but in Bulgaria a Vrhovist VMRO was also immediately formed, which began to conduct intrigues among the diaspora, but unfortunately they have not have much success there. That Vrhovist VMRO achieved its major success here in Macedonia, since we are in an economic crisis."

[15 Jan p 4]

[Text]

### The MNG in the ARM's Reserves

*The decision that the MNG would join the army reserves was adopted unanimously; about the printing and "merchandizing" of the video cassette from Sina Ptica; the VMRO-DPMNE is insisting on cutting off contacts "with the Serbo-communist army"; Guard member Stoe Jakimov's connection with the "Veles trial."*

The meeting at the Sina Ptica restaurant ended, after a three-hour discussion, with a unanimous decision that the Guard members would join the army as reserve personnel. The vote was followed by a small ceremony, in which those present broke a cake on which "The State of Macedonia—MNA [Macedonian National Army]-MNG" was written, and Ljubo Jovanovski showed the

pistol (Gasser [revolver produced in Austria-Hungary before World War I]) and dagger of, as he said, General Kukulev. And everything ended here, until the VMRO-DPMNE leadership decided to publicize the video cassette from Sina Ptica, which, as stated at their press conference, "was borrowed from the Security Service in an interesting way through their channels."

We have been informed by the Security Service, however, that the "incriminating" video cassette, was turned over to Ljubo Jovanovski immediately after he left Macedonia and a second copy was given to the ARM. According to Jovanovski, immediately after arriving in Brussels he personally gave two copies of the cassette to the Foreign Committee's chairman, Mane Jakovlevski, and to VMRO-DPMNE President Ljupco Georgievski, during his visit at the home of the Jovanovski family in Brussels, as archival material for the party. From that moment the "printing" and "merchandizing" of the cassette by our people in Europe began through the sale of the pictures to several foreign TV stations.

#### **"We Joined the ARM and Disbanded"**

With the broadcast of parts of the cassette on Macedonian television as well, along with communiques from the Macedonian Assembly's Commission for Controlling the Work of the SDB and from the MVR, the ball began to unravel. The parliamentary control commission concluded, like VMRO-DPMNE's position, that "there is a suspicion of the formation of paramilitary formations at the Sina Ptica restaurant in the vicinity of Kocani on 16 April 1992." As an explanation of this, the Commission's communique on 22 December 1992 said that "the MVR, i.e., the representative of the SDB, has overstepped its constitutional and legal authority by participating in the formation of paramilitary formations and their incorporation into the security structures of the Republic of Macedonia."

In regard to the attempt by VMRO-DPMNE and the parliamentary commission to give this whole affair a completely different dimension, here is what was said by one of the Guard members, who wanted to remain anonymous:

"From the very formation of the Guard, Ljupco Georgievski was informed about all these things. We invited the people from the SDB and the ARM to explain to us what kind of army was being formed, since Georgievski constantly said that a Serbo-communist army was being formed. When they explained to us what kind of army was being formed and explained that there could not be any parallel military formation, that was the condition for further discussion. From the additional explanations during the meeting at Sina Ptica, we decided to join the ARM and to disband."

In a letter published in NOVA MAKEDONIJA on 24 July 1992, signed by several members of the group present at the meeting at Sina Ptica, it was stated, among other things: "After the meeting we gave up the initiative for forming the organization. These public statements

should reveal our position and role in the above-mentioned current incident. We gave up the initiative immediately after the meeting, and we are now renouncing any sort of cooperation with anyone, and likewise the 'leadership' of VMRO-DPMNE" (signed: Blazo Tilev, Aco Spasovski, Slavco Mitevski, Trajce Krstevski, Blagoj Dimitrov, Ilce Bojkovski, Novica Arsovski, and Ace Nikodimov).

With respect to the commission's accusations about the MVR's work, MVR Under Secretary Slobodan Bogoevski said that according to the operational rules, the SDB was simply obligated to accept the offered contact with the members of the so-called "Secret Committee of the MNG," after which the meeting at Sina Ptica was held. "According to the Law on Criminal Proceedings, Article 151," Bogoevski continued, "the SDB is obligated to check all the indications and investigate all the circumstances, and the fact that the 'Guard members' gave this up and did not undertake anything, and even if they did, according to the rule of the 'golden bridge,' there are no grounds for criminal proceedings."

#### **Guard Members in Humanitarian Operation**

The only things still unclear about this whole affair are the friendship between MVR employee Dobri Velickovski and Ljubo Jovanovski, and the incident with Stoe Jakimov. Regarding the "long-standing friendship" from which the VMRO-DPMNE leaders concluded that Ljubo Jovanovski "worked for the KOS and UDBA," both Velickovski and Jovanovski, in separate meetings, confirmed that before Sina Ptica they had only met twice, and furthermore that was several years ago in Brussels. Both of them deny any mutual collaboration.

One of the people accused in the "Veles trial" is Stoe Jakimov, the person who represents the MNG's sole connection with the terrorist plans of the members of the VMRO-DPMNE Defense Committee in Titov Veles, whose plans also mentioned the already specified assistance from Bulgaria in the form of 10,000 "Macedonian-Bulgarian volunteers." "Stoe Jakimov's actions do not have anything in common with this group, since they are from a long time ago," the Guard members said in the above-mentioned letter published in NOVA MAKEDONIJA.

Thinking that they were nationally oriented, and not knowing that they were Vrhovists and Vanko Mihajlovists, Jakimov made a big mistake and assisted the defendants in the "Veles trial" in some matters, something that he repents today, Ljubo Jovanovski said.

Those "some matters" consisted of purchasing dynamite for Cuskov, Kaluzarov, and Karpov. Today Jakimov is on the run somewhere in Belgium.

After the video cassette was broadcast on Macedonian television, Mane Jakovlevski, who was authorized by Georgievski to decide and sign for everything, according to the MVR's communique of 23 December 1992, "exerted pressure upon Jovanovski and threatened him

with physical liquidation so that he would make a statement to foreign journalists and support Ljupco Georgievski's words (on breaking off contacts with the Serbo-communist army—author's note), which Jovanovski did not agree to."

After the MNG's joining the ARM reserves, the TMRO-MNG affair is over with, and today several of the Guard members are involved in obtaining assistance for the Republic in the form of medicines, medical supplies, and other medical equipment sent by our people in Europe.

[Box, p 4]

#### "There Is a Common Interest"

Dobri Velickovski: "I consider an informer to be someone who has sold himself to a foreign intelligence service, and not someone one who helps this service which is protecting the state.... There are honest Macedonians and traitors.... And regarding those defense committees which, if it is quite understandable, and your view is that it is not all on behalf of the legal VMRO-DPMNE because the Central Administrative Committee does not know about it, will still be talked about for a long time."

Risto Terziev: "I don't know. Maybe the others know."

One of those present: "There is no such defense committee in Kocani."

Dobri Velickovski: "There is."

One of those present: "There isn't in Kocani!"

Ljubo Jovanovski: "Only a couple of people here can answer whether there is or there isn't."

Dobri Velickovski: "There is."

One of those present: "There was one faction, and one figure was mentioned, Dr. Pavel.... Does the SDB have information about the fact that other organizations are being formed, pro-Serbian, pro-Bulgarian...?"

Dobri Velickovski: "We have specific information that paramilitary formations have already been formed with commanders, with village guards, both among the Albanian and the Serbian population—Kumanovo, Skopje Montenegro, Skopje, Bitola.... We are likewise aware of the activities of the Chuskovs, Crnomarov, Kolarov, Aco Runtev from Stip, Stojmenov...."

Ljubo Jovanovski: "Until you created a national army, we had to do something, since our lives were in danger."

Dragan Stojmanovski: "Ljubo, I think that we have already cleared this up; you stated your positions, and we stated ours. Obviously we formed what the people wanted, namely a guarantee for this Macedonian people. We now have our own state, and we also have our own army.... Each of you will receive a task that he will have to carry out as a legal member of the Macedonian Army."

Ljubo Jovanovski: "There is a common interest—the security and defense of the Macedonian state, the Macedonian nation, and church, period."

#### \* Armed Forces Seen Still Lacking Strategy

93BA0564A Skopje NOVA MAKEDONIJA in  
Macedonian 22 Jan 93 p 4

[Report by Zoran Petrov: "The Armed Forces Remain Without Strategy"]

[Text] *As a system of mastered fundamental rules, strategy plays a significant role in determining the type and nature of war; in a war situation, strategy would also determine the nature of the Armed Forces. It is a natural law for the Army to be organized on the basis of an already adopted strategy and not vice versa.*

By definition, strategy is a system of scientific knowledge and skills in preparing for and waging war and use of force in the implementation of specific political, economic, and military objectives. In other terms, as a document, strategy means the efforts and coordination by the highest political, state, and military leadership. Actually, this is a rule set in the Law on the Defense of the Republic of Macedonia. Article 15, paragraph 1, of that law, which governs the authority of the president of the Republic, stipulates that he must formulate the strategy for the defense of the Republic, while Article 17, paragraph 1, stipulates that the defense strategy is formulated by the Ministry of Defense.

Strategy is organically linked to military doctrine and concept as a more general system of adopted regulations and views on the organization, training, and use of the Armed Forces. Therefore, essentially, strategy is also a political document within which, logically, the main defense areas are closely interwoven, for they stem from the very nature and organization of the state. This implies a certain sequence or cause-and-effect link, so that by formulating the general prerequisites for strategy, we also formulate its postulates. In other words, based on the oldest question of "what comes first—the chicken or the egg," the main question is whether strategy is based on the type of armed force or are the armed force based on the nature of the strategy.

#### Starting With the Roof in Building a House

In our circumstances, when we already have an Army of the Republic of Macedonia, it is totally unclear why no strategy has been formulated as well, or else why is it that almost one year has passed since the Law on Defense was passed, yet such an important document has not been already drafted. The reason is that strategy, as a system of scientifically based and mastered rules, performs important functions in determining the model and nature of the Armed Forces and, should we find ourselves in a war situation, it would determine the model of the Armed Forces. It is precisely for such reasons that it is a natural rule for the Army to be established on the basis of an already adopted strategy and not vice versa.

Or, as retired Colonel General Todor Atanasovski said, military strategy is not an unconditional or a simply fabricated phenomenon but, in our case, something based on the overall political and governmental strategy of the Republic of Macedonia, while the use of Armed Forces is only part of the defense strategy. The Law on Defense itself should either stem or be derived from such state strategy.

Once again, we go back to our domestic circumstances in which, as far as defense is concerned, things are upside down: The house is being built starting with the roof. Actually, the Law on Defense itself, which was passed on that same premise and was also the first basic law passed by the Macedonian Assembly, according to the overall view, especially that of the "interested" countries, is full of arbitrary, temporary, inconsistent, and incomplete features. Things have gone so far that, to a certain extent, that law has become a stumbling stone and a reason, to put it most mildly, of a certain lack of understanding between the Ministry of Defense and the General Staff. This is best illustrated in the statement by Lieutenant Colonel General Mitre Arsovski, chief of General Staff of the ARM [Army of the Republic of Macedonia], who said, among other things, at yesterday's public discussion in Skopje's Army Club, on the occasion of the celebration of ARM Day and changes in the names given to the barracks in the Republic, that steps have already been taken to amend the Law on Defense, caused by the confusion and lack of definition of the authority of the ministry and of the General Staff. In other words, dissatisfaction has already been publicly expressed with the functioning of one of the vital laws of the state by none other than the chief of General Staff.

### Why the Dragging?

The opponents of such a formalistic approach to criticism stress that Macedonia's defense philosophy has historical continuity going as far back as the Razlog or Kresen uprisings, so that present strategy must not be only partially defined. It is a known fact that throughout its history, the Macedonian people have constantly engaged in waging liberation or national wars, as recorded in all documents, especially those of the time of the NOV [People's Liberation Army]. On the other hand, it is a fact that, as a document, it is neither difficult nor complex to formulate a military strategy for the reasons we already mentioned: On the basis of the referendum, Macedonia is a state with its own attributes and essential concepts that are, actually, its fundamental strategic guideline. Why then is the formulation of a defense strategy being dragged out?

It is quite obvious that today the Republic finds itself in an exceptionally difficult and sensitive situation in terms of its security. In other words, however unpleasant this may sound, Macedonia is in a state of war, if we consider that the blockade of its territory, active intelligence and subversive activities, psychological-propaganda efforts, and continuing military threats followed by virtually daily violations of its airspace may be taken as elements

of a special type of warfare, and as enduring and extensive features of aggression. It is precisely for such reasons that we stress the significance of both strategy and doctrine governing the preparedness of the Armed Forces on the operational and tactical levels.

Actually, speaking of military strategy, on the basis of which we must draft the further specific legal regulations (rules, instructions, directives, guidelines), the question inevitably arises of the extent to which, as a state, we are organizationally prepared for defense or the extent to which we are able, as a state, to oppose by the force of arms any eventual aggression, how to organize the Armed Forces whose backbone is the ARM, how is the defense and rescuing of the population and of material resources organized, and how will the sociopolitical and economic system function under wartime conditions? These are only some of the issues that our state and military officials must formulate in detail in the areas of defense and as part of the strategy.

The Republic of Macedonia has its minister of defense with his under secretaries, assistants, advisers, experts, and consultants. It has its chief of General Staff and about 10 generals, about 100 colonels, and other high-ranking officers. Yet in an entire year it still has not developed its own defense strategy.

### \* Military Lists New Names of Posts

93BA0564B Skopje NOVA MAKEDONIJA in  
Macedonian 21 Jan 93 p 4

[Report by Zoran Petrov: "Is 18 August ARM Day!?"]

[Text] *There were extensive debates and a variety of thoughts and views expressed at yesterday's discussion on changing the name of the Marshal Tito Barracks in Skopje; virtually all speakers agreed that 18 August should be proclaimed ARM [Army of the Republic of Macedonia] Day. On that day, in 1943, the Mirce Acev Battalion was formed.*

Yesterday's public debate held at the Skopje Army Club on setting the ARM Day and naming the barracks in the Republic was sponsored by the Ministry of Defense of the Republic of Macedonia. In addition to representatives of the ARM General Staff, the meeting was attended by representatives of the National History Institute and the Republic Council of the Macedonian NOV [People's Liberation Army] SZB [Veterans' Association].

Yesterday's meeting was opened by Colonel Eftim Misovski, from the Moral Education Administration of the ARM General Staff. He described the work of the Defense Ministry and the GS [General Staff] on these issues. Among others, he stressed that the MO [Ministry of Defense] has already set up a commission that includes representatives of the RO [Republic Committee] of the SZB NOV, and suggested that, without exception, all ARM border patrols be named after the settlements or sites of their deployment. Then, Colonel

Misovski listed the suggestions concerning barracks which could keep their present names (Goce Delcev in Skopje; Hristijan Todorovski Karpos and Boro Menkov in Kumanovo; Stiv Naumov in Bitola; Mirce Acev in Prilep; Alekso Demnjevski-Bauman in Titov Veles; and 11 Oktomvri in Strumica), followed by those whose names should be changed (Kuzman Josifovski Pitu to Gjorce Petrov in Skopje; Sutjeska to Kuzman Josifovski Pitu in Tetovo; and 4 Juli to Jane Sandanski in Stip), as well as the naming of barracks that so far have had no name (Dame Gruev in Kriva Palanka; Razlovecko Vostanie in Delcevo; Josif Josifovski Svestarot in Gevgelija; Ibe Palikukja in Debar; and Straso Pindzur in Petrovec). As to the date to be celebrated as ARM Day, 11 November was suggested, the day when the Macedonian-Kosovo Shock Brigade was formed in 1943. A representative of the General Staff described the problem of changing the present name of the Marshal Tito Barracks in Skopje, which, as he pointed out, is a name of special historical significance and of interest to Macedonia.

On the issue of ARM Day, almost all speakers rejected the motion of adopting the date 11 November. According to Vera Aceva, for instance, we should choose the date at which the first Macedonian regular military unit was established (the Macedonian-Kosovo Brigade was not an exclusively Macedonian military unit), for which reason she suggested the day 18 August when, in 1943, the first operative group, the Mirce Acev Battalion, was formed in Karaorman. Her motion was supported almost unanimously.

Much more conflicting views were expressed on the motion of changing the name of the Marshal Tito Barracks in Skopje. Most of the debates were reduced to the issue of the significance and role which Josif Broz Tito played in the establishment of the Macedonian state. Representatives of the National History Institute (Dr. Mile Mihajlov and Marjan Dimitrievski) and most participants in the discussion believed that, in accordance with the laws of continuity of history and Tito's merits, the name of the central barracks in Macedonia should not be changed. Conversely, Todor Atanasovski, retired general, stressed that such a step demands a thorough study of Josif Broz's personality and merits, while Borko Temelkovski, chairman of the RO of the SZB NOV of Macedonia, called for renaming the barracks, claiming that the name of the largest barracks in Macedonia and the importance of Tito concerning the state of Macedonia are different matters that should not be viewed as one and the same.

Particularly heated reactions were triggered following the statement by Stojan Kuzev, who represented the Ministry of Defense and who presented his personal view that the date at which the president of the Republic proclaimed the existence of the Army of the Republic of Macedonia by ukase could be adopted as ARM Day. He was accused by several other speakers of trying to deny the existence of a Macedonian history.

Joining in the discussion on changing the name of the Marshal Tito Barracks in Skopje, Lieutenant Colonel Mitre Arsovski, chief of General Staff of the ARM, said that deleting the name of Josif Broz means deleting Macedonia. A regulation was issued by the Ministry of Defense according to which the name of that military site is to be changed and that there is pressure from all sides to do so, and even to remove Tito's bust that stands in front of the barracks.

At the end, Major General Boce Petrevski, chief of the Moral Education Administration of the ARM General Staff, who presided over yesterday's public debate, stressed that the materials summing up the debates and motions will be collated.

[Box, p 4]

#### Skopje Army Club Roundtable Meeting: Military Academy—Yes or No?

A special discussion will be held on 22 January at the Skopje Army Club on the motion, elaboration, and project for a military school system in Macedonia and the establishment of a military academy. According to the agenda, Dr. Vlado Popovski, the minister of defense, will make the introductory speech; Vice Admiral Dragoljub Bocinov will present the concept of a military school system and a military academy, while Colonel Jovan Miskov will present views in support of the establishment of a VSS [Military Schools System] of the Army of the Republic of Macedonia.

This will be followed by another learned debate attended, in addition to the main commission of the Ministry of Defense and the ARM General Staff, by Deputy Prime Minister Stevo Crvenkovski, the ministers of education and science, the chairman of the parliament's Defense Commission, representatives of Skopje and Bitola Universities and of defense and security institutes, and by others who have been invited to attend.

[Box, p 4]

#### Where Is the Minister?

Although the attendance of Vlado Popovski, the minister of defense, at yesterday's public debate had been announced, it was later explained that he was unable to attend due to press of business. However, his name was mentioned by Vera Aceva who, reacting on the subject of the presentation by the representative of the Ministry of Defense, said that it has become the practice for the younger ministers to remain in their offices and not attend important discussions.



**\* Deputy Prime Minister on Privatization**

93BA0561A Sofia 168 CHASA in Bulgarian 12 Jan 93  
p 11

[Interview with Deputy Prime Minister Valentin Karabashev by Aglaya Shamlieva; place and date not given: "The Cabinet Tried To Formulate Strategy and Not Make Repairs"]

[Text] *Privatization demands political will, resolve, and professionalism, Deputy Prime Minister Valentin Karabashev asserts.*

[Shamlieva] Why are you a member of this controversial government?

[Karabashev] Frankly, I do not know. It was madness to disband the parliament and hold ahead-of-schedule elections. In my view, everything possible should have been done not to go to elections, i.e., to have a nonparty cabinet. That is precisely what happened, a cabinet headed by Lyuben Berov.

It was logical for Berov to invite me, for I am one of the authors of the Law on Privatization, and over the past year, in parliament, I worked on such problems that are a key issue facing the new government. Had I refused, this would have meant betraying the idea of the continuation of the reform and not having new elections.

[Shamlieva] Did you argue as to who should head the privatization?

[Karabashev] There was neither any heated discussion nor anything of any particular significance, although the entire matter was inflated by the journalists. In the initial proposal of the prime minister, the Privatization Agency was kept outside the economic bloc, and I objected to such logic. The privatization policy that is being implemented by the agency is part of the overall economic policy. You must agree that it is not normal for the deputy prime minister, who coordinates the privatization process, to do so together with the minister of internal affairs, let us say. You should not consider this a struggle for power. The law is categorical and does not stipulate any kind of obligations and rights of the deputy prime minister.

[Shamlieva] In other words, you started on the basis of the law and will continue on the basis of practical experience....

[Karabashev] That is perfectly natural. It is normal to start something as a theoretical concept and then pursue it as a law and complete it by the executive branch.

[Shamlieva] This is the right time to ask you about changes in the law.

[Karabashev] Changes, yes, but only in the details. Some of them will be aimed at accelerating the process, while other at broadening the participation of the personnel. However, I will oppose suggestions of revising the law in

principle, and replacing the market principle of privatization. Anything else is admissible.

I personally will suggest a number of changes. For example, the amounts, which will be the basis in assigning the functions of sectorial ministries, townships, and the agency itself, as well as the conditions for auctioning: In the case of small projects, the personnel may purchase them before the auction if it so wishes and if it has the money. I repeat, however, that everything will remain within the framework of the market approach to privatization.

[Shamlieva] In parliament you sharply criticized the government, the agency, and the restitution lobby.

[Karabashev] I have frequently criticized the agency in the areas of supervision and implementation. I now find myself in a less comfortable position, for I have close ties to the agency, being in the executive branch. Criticizing from the parliament was easier. Nonetheless, let me say that from its beginning the agency could have accomplished a great deal more.

However, not everything depended on the agency. The government is to be blamed as well, for it did not do its work in passing the laws. Naturally, a great deal of work was done as well: Regional bureaus were opened, laws were made, and the 1993 program was formulated. The main fault in the agency's activities is insufficient will. I emphasize, political will, and activeness. For that reason, in practical terms, no results have been achieved after the work was done.

Here for instance, in the Ministry of Trade, no more than a few people were involved in privatization work. They made their evaluation and waited. I immediately signed the first orders announcing the auctions. This involved a few automotive repair enterprises and a warehouse in Pleven, and I hope that they will fetch a good price. I personally will participate in the auction, on an absolutely symbolic basis, so that I could fulfill my "messianic" function.

I would like to achieve lightning privatization in the Ministry of Trade, even for the sake alone of proving that such work can be done quickly, without scandals, and profitably. Talks on privatization should come to an end and work must begin. Privatization demands political will, resolve, and professionalism.

[Shamlieva] Those three prerequisites have been obviously lacking so far, for there was no privatization. How will a privatization government deal with the restitution lobby both in parliament and in the supervisory council of the Privatization Agency, or handle the part of the law that stipulates that industrial property must be restored within its true limits?

[Karabashev] I do not wish to classify the individual members of the supervisory council according to the lobby to which they belong. They are members of the supervisory council of the Privatization Agency and not



of the supervisory council of the Restitution Agency. Therefore, they must fulfill their obligations. If they fail to fulfill their obligations, on the basis of their quotas both the government and parliament have the right to replace the respective members. I hope that matters will not go that far but, if necessary, it will be done.

As to restitution in its real amounts, this is, indeed, an obstacle to the privatization process. However, it can be surmounted even with the current laws. The former owners could receive their inheritance in stock and shares.

[Shamlieva] What is your view on exchanging the foreign debt for ownership?

[Karabashev] It is positive. In the past we included such a possibility in the law. However, it can be realistically implemented only after we have concluded an overall agreement on the foreign debt. This is an instrument that could be used along with other instruments. In international practices, exchanging a debt for ownership is quite widespread although its results are extremely controversial.

[Shamlieva] The main concept of the government's declaration is to facilitate the commercial system....

[Karabashev] Yes, this will take place but within the limits of the possible. We shall eliminate all unnecessary obstacles to exports. We shall eliminate the contradictions which will appear after our association with the European Community. There will be some surprises this very next week.

[Shamlieva] What about the quotas? Some people greatly benefited from them. It is being said that for quite some time the Ministry of Trade will be blessing the various quotas and kiss the hands of those who set them.

[Karabashev] Quotas always offer an opportunity for corruption, whether there are commissions or not. We shall try to reduce to a minimum the groups of commodities traded on the basis of quotas. We shall keep only those that are necessary as exchange currency with our partners.

[Shamlieva] Are you familiar with the view that the government will cover up all shady deals of the previous government for the sake of the reform and the national consensus?

[Karabashev] This is accurate to the extent to which no minister set himself the task of seeking compromises and shady deals. You may rest assured, however, that if anyone violates the law in the course of his work, he will not be spared either for the sake of the reform or of national consensus. However, this is not our objective. All too long this country has been governed by scenarios, compromises, coups, etc.

[Shamlieva] Do you remember the parliamentary investigation of the Neftokhim affair?

[Karabashev] It is a matter for the parliament to have the investigation commission complete its work. However, even if the investigation is completed some things will remain unclear, for that commission did not deal with the criminal aspect of the matter. We established irregularities in granting and handling the money received from the World Bank. However, we did not start looking for criminal liability. This is not the work of parliament. The implementation of a wrong economic policy is still not regarded a crime.

[Shamlieva] But what if someone has made quite a lot of money as a result of such a "mistaken" economic policy?

[Karabashev] Some data from the report may provide sufficient grounds for the prosecution to charge some individuals with the commission of a crime. However, this is a legal matter. Very serious errors were made from the economic viewpoint.

[Shamlieva] Today the questions most frequently asked in Bulgaria are the following: Who killed Laura Palmer, and how long will this government last?

[Karabashev] We are working as though we shall remain in power for a long time. We are formulating strategy and not patching things up. The reform requires calm and professionalism. Let us see how long we can last.

### Minister for Development Todorova Interviewed

93BA0531A Skopje VECER in Macedonian  
23-24 Jan 93 pp 4-5

[Interview with Development Minister Dr. Sofija Todorova by Blagoje Stojanov; place and date not given: "Micro-Opportunities for Macroeconomics"]

[Text] *The Ministry of Development has planned the economic steps that must be taken under the circumstances of a very poor starting position inherited from last year and with the premise that no substantial changes will occur in the situation;*

*There will be fewer restrictions in individual consumption. However, with this step consumption will be reduced, as will public production, by 4 percent.*

Despite the discouraging legacy of last year, the Ministry of Development has undertaken to draft a macroeconomic policy plan for this year. It is facing a very difficult task, for the environment in which we must maintain and encourage activeness in all economic sectors and meet the basic needs of the population and the public superstructure does not make reliable forecasts and planning on a strong foundation possible.

In discussing this subject with Dr. Sofija Todorova, minister of development, we began by asking her views on the starting position to be used as a basis of this year's proposed projection of economic policy for the Republic.

[Todorova] We know that the starting position is very unfavorable, due to the very unstable functioning of the economic system, the influence of outside conditions and pressures, and other limiting factors that greatly limit improvements in the stabilization and in development opportunities. Under those circumstances, public production in the Republic, following a drop of 11.4 percent in 1991, declined by yet another 14 percent last year, and its per-capita level of \$860 was plunging with dizzying speed down to the level of the group of countries assessed as having the lowest economic development. This was due to the significant decline in economic activities, in the course of which industrial production alone dropped by about 15 percent, while the volume of construction declined by 35 percent. Another matter of concern is that of the foreign deficit (unpaid debts to economic creditors for last year, totaling \$155.4 million) and internal deficits manifested by the losses in the economy, which exceed accumulations, and the financial weakness of social funds and the banking system. The decline in public production and the lack of foreign capital led to a drastic reduction in all types of consumption and to a further erosion of the real economic foundation of the country.

#### **Unpredictable Changes**

[Stojanov] What are both the current and the anticipated obstacles to the implementation of the macroeconomic policy at the start of and during the year?

[Todorova] The measures included in the macroeconomic policy are based on the stipulation that economic management conditions will not be substantially better than last year. Although it is difficult to predict the changes, we expect that our state will gain broader international recognition. However, the restricting factors caused by the siege will probably not be lifted quickly. Perhaps they may be eased. Our emphasis will be to surmount the adverse effect of such restrictions and, on this basis, we are planning a slower decline in public production by 4 percent. Another very topical issue will be to look for and enter alternate markets and routes.

[Stojanov] Financial support from abroad is one of the key prerequisites for the efficient implementation of a stable economic policy. Could we rely on it this year?

[Todorova] It is accurate that we cannot resolve the crisis only by relying on our own economic power. We also must rely on additional accumulation and financial support from abroad. We are facing long and complex talks with financial institutions for meeting their strict criteria, above all in the area of stabilization policy. Even if we are given some loans we face the problem of our indebtedness of about \$288 million, so that such loans would be used above all to meet past obligations. Actually, we expect financial support of some \$50 million, which, naturally, will not suffice.

[Stojanov] It is clear that the main objective in the implementation of the program that was drafted by the

ministry will be that of macroeconomic stabilization and elimination of inflation. What are the measures and instruments needed to accomplish this?

[Todorova] From almost 1,900 percent last year we are planning to reduce inflation this year to 104 percent. We shall apply a restrictive credit-monetary policy, strengthen financial discipline, increase cashless payments, and convert to a new concept for subsidizing some economic sectors and activities. We are also facing the fact that without a global and individual improvement in the situation of the banks it would be difficult to expect any more significant structural changes in the economy or any support for encouraging development. Public expenditures must be financed on the basis of the existing funds in planning the more efficient recovery of income and reduction in public consumption—budgets and social funds—to 30 percent of public production.

#### **Continued Disinvestment**

[Stojanov] The majority of the population has reached the limit of social endurance, which is a major risk factor in connection with the adoption of a restrictive policy in personal consumption. What are your views and intentions?

[Todorova] Nearly one-half of the public output (about 48 percent last year) goes to personal consumption, and in this area measures of a stabilizing nature could be implemented. However, the programmed drop in personal consumption for the year does not exceed 4 percent. This means that restrictions will be substantially fewer compared to last year.

[Stojanov] What opportunities will exist for investing in the economy and for encouraging economic relations with foreign countries?

[Todorova] Considering the lack of a more substantial influx of funds from abroad, we shall not cross the threshold of the disinvestment area in which we find ourselves, although we are predicting a lesser real decline (6.6 percent) in economic investments compared to last year (38.3 percent). Economic relations with foreign countries must be as intensive as possible and a function of the balance of payments. By setting a realistic rate of exchange of the denar we shall encourage exports and foreign currency earnings. However, a significant prerequisite for the implementation of such objectives is making basic economic decisions on economic relations with foreign countries, in the course of which we must establish the best correlation between the protection of our domestic production and the necessary influence of foreign competition.

*Stabilization and anti-inflation objectives of the plan will be based on standard measures and instruments, above all within the limits of the credit-monetary and fiscal policy.*

**[Box, p 4]**

The disinflation policy will be largely based on determining the size of the overall demand, for the size of demand in an unstable and unknown market environment can neither be established for the short term nor does the current development provide incentives for its growth. That is why a firm control over the dynamics of the monetary mass through monetary instruments is of essential significance; within this framework we must exert more direct influence on the level and dynamics of wage increases. However, in order to secure broad support in the implementation of a disinflation policy such control must not take place administratively but through coordinated and corrected decisions as part of general collective contracts.

**Standards**

In the course of last year the population's standard of life dropped by 31 percent, which is roughly consistent with the actual decline in the average wage of people employed in the public sector. Specifically, wages this time again fell considerably behind price increases which averaged 1,883 percent. Such a lag was added to the real drop in wages in 1991, which was 13 percent. There was a significant decline in the living standard and in satisfying the needs of public consumption, the level of which was planned to drop by some 20 percent although the actual drop amounted to some 43 percent. This was due to the reduced participation of public consumption in the overall volume of public production (27 percent as compared to 36 percent in 1991) and the high cost of the statehood of the Republic, above all related to financing the Army, police, international activities, and so on. The authors of the projections have left themselves some reserves concerning the level of satisfaction of public needs, but caution that this satisfaction could be quite low if we do not use emission money for the budget, which would substantially suppress the essential and very important functions of the main expenditures in supporting the development of the economy and financing social protection.

**[Box, p 5]****Support**

The hope that the Republic will be able to open new credit lines abroad may be implemented only to the extent to which successful pressure will be applied to obtain a faster "stand-by" loan arrangement with the International Monetary Fund and, subsequently, rescheduling the debts to commercial banks and individual governments, so that we could repay overdue obligations and be given technical and financial support. Objectively, we shall assume further loan obligations, for the Republic will continue to be considered a risk area, for which reason it would be unrealistic to expect any more substantial direct foreign capital investments. In any case, even the results which we are realistically

expecting would constitute a significant contribution to "easing off" the stressed Republic balance.

**\* Revaluation of Macedonian Currency Discussed**

93BA0550A Skopje VECER in Macedonian 25 Jan 93  
pp 1, 3

[Article by V.M. Bozilovski: "The Denar in New Clothing"]

[Text] *The printing will begin during next month, and it will be put into circulation in April; announced denomination of the denar with the deletion of two zeroes; the denar is expected to become convertible on the domestic market, which means that citizens will be able to buy foreign exchange at a bank as well.*

As long as everything proceeds in accordance with the National Bank of Macedonia's plan, the Republic will get the new money at the beginning of April! The scrip that is now in use as the Republic's temporary medium of payment will be completely withdrawn from circulation and replaced by the first real Macedonian money, denars. This means that they will contain all the essential characteristics, including the water mark, visible and invisible fibers, and a red fluorescent fiber, and the name of the monetary unit—the denar—will also be printed on them.

**Denomination?!**

"All the preparations for the printing and minting of the new money have already been completed. The final preparations are being made, and according to the plan the printing is expected to begin as early as next month," said Borko Stanoevski, governor of the National Bank of Macedonia. "It is planned that when the new money is put into circulation, the denar will also be denominated by deleting two zeros from the current scrip, which will mean that the new money will have a larger value than the scrip. It is still not known, however, whether parliament will approve this proposal from the bank for the denomination."

The new money, the paper for which has been purchased from the factory abroad at which all world currencies are printed (the mark, dollar, franc...), will be 100-percent cotton, and it will be high-quality and there will be no need to replace it every four months, as in the past; instead the replacement will be carried out in one or two years. With respect to the coins, however, in the denominations of 1, 2, and 5 denars, with which the present Yugoslav dinars will finally be withdrawn, they will be made of an alloy of copper, zinc, and nickel, and the smallest coin will be 50 deni [hundredth of denar]. What is particularly interesting is the fact that the first Macedonian minted money will have typical features of our world printed on the back. The 50-deni coin will have the Ohrid seagull, the 1-denar coin will have a Sar mountaineer, the 2-denar coin will have the Ohrid trout, and the Macedonian lynx will be imprinted on the back of the 5-denar coin.

The most modern technology for printing money will be used in printing the paper bank notes, and four paper bank notes will be put into circulation in the denominations of 10, 50, 100, and 500 denars. A 1,000-denar bank note is also under development; according to Stanoevski, it will be put into use later, since it is too large a value for the present conditions.

#### Convertibility

"The characteristics of the new paper money will still be temporary in nature, because the real characteristics will be determined by means of a competition that is already in progress. The procedure for obtaining the characteristics is very long, and averages one to two years, since it may happen that the optimal solutions are not obtained through the competition. Then the characteristics are manufactured to order, which prolongs the procedure. In view of the fact that the deadline for the use of the scrip is expiring this April, the National Bank had to take such a step and put into circulation denars with temporary characteristics," Stanoevski said.

The inevitable question that arises with the release of the new money into circulation is whether it will finally be convertible on the domestic and world market. According to Stanoevski, if the Assembly accepts the reform that the National Bank of Macedonia is offering for the foreign exchange and monetary system, we can expect the new denar to have internal convertibility. That, however, implies that up to certain amounts, citizens will be able to buy foreign exchange from banks and exchange offices at an exchange rate that will be freely formed in the market, just as has been done, by the way, in Slovenia!

With respect to the denar's external convertibility, according to Stanoevski it is still remote, since we have not met a single one of the conditions that are essential in order for the denar to be converted on the world market. This means that the Republic, above all, does not have "fat" foreign exchange reserves (they now amount to about \$57 million); furthermore, it has large debts in the amount of about \$2 billion, both to foreign exchange depositors and to foreign countries, and a lasting deficit in the balance of trade. Consequently, it will be necessary to wait a rather long time for external convertibility.

#### [Box, p 3]

#### The Color of the Money

The 50-deni coin will be composed of a fairly inexpensive alloy and will have a distinctly yellow color, while the 1-, 2-, and 5-denar coins will have a lighter yellow-white color.

The paper money will keep the range of colors of the present dinars, with the 10-denar bank note having the color of the present 1,000-dinar note (blue), the new 50 denars having the color of the present 5,000-dinar note (brownish-red), and the 100-denar banknote will be gray.

#### [Box, p 3]

#### Printing

The new money will be printed in the Republic. Specifically, the paper bank notes will be printed in Prilep, for which the most modern equipment and technology have been secured, and the coins will be minted at the factory in Samokov. Although all the preparations have been completed, the Assembly still has not passed the law that will authorize these two organizations as the future "producers" of Macedonian money!

#### [Box, p 3]

#### Motifs

The paper money has been modeled after the German mark, the pound, the schilling, and the Dutch guilder, and on the face and the back it will contain motifs from the Krusevo area, Ohrid, and the more characteristic motifs of Skopje.

#### [Box, p 3]

#### 400 Metric Tons of New Money

Three hundred tons of metal money, or 50 million coins (one of them averages six to seven grams), will be put into circulation, as well as about 100 tons of paper money, i.e., 60 million denar bank notes in various denominations. The "old" dinars will be withdrawn at once, which means in a short period of time through their exchange at SOK [Public Accounting Service], the banks, and the NBM [National Bank of Macedonia].

#### \* Alternative Sources of Electrical Energy

93BA0551A Skopje VECER in Macedonian  
26 Jan 93 p 8

[Report by S. Padori: "Alternative Safety Connections"]

[Text] *The technical and economic study of the justification of the structure that will make the Macedonian system more secure should be completed before the beginning of next month;*

*Under normal circumstances it is believed that the connection will not be particularly profitable. However, in cases of eventual cut-offs this would improve the "reliability" of the system;*

*In February talks will be held with representatives of the Bulgarian electric power utility as well, for setting up an eastern alternative parallel linkage.*

The lack of investment activities in recent years in the area of electric power best illustrates the low level reached by Macedonian electric power utilities, particularly manifested by breakdowns in the distribution networks as of the end of last year. The fact that an intervention in the electric power distribution is necessary and that it is a question of time before vital parts of

entire transformer stations break down in a given opstina is unquestionable. At the same time, however, considering that Macedonia is an independent country, any alternative ties with our Eastern and Western neighbors, who could ensure above all reliable operation for our electric power system and eliminate the fear of interruptions, are equally important.

After contacts with the Western European UTPC [expansion unknown] system were interrupted, and the linking of the Macedonian electric power system exclusively with the north and the south, the need for a connection with Albania and Bulgaria became a priority. As early as last year, talks to this effect were initiated with the Albanian power utility, which have reached the finalizing stage of a joint project; next month a dialogue will be initiated with representatives of the Bulgarian power system.

### Safety

The study of a possible parallel work by the Macedonian and Albanian electric power systems, which was made by Belgrade's Nikola Tesla Institute, offered three alternatives among which, in discussions with the Albanian electric power utility representatives, the most preferable was the 220-kW connection from Vrutoc to Burrel. It was considered the best from the viewpoint of regular exchanges, breakdown assistance and, which is most important in terms of increasing the "reliability," as the power workers describe it, of the Macedonian power system.

As we were told by Gligor Micajkov, director in charge of investments and development of the Macedonian Electric Power Utility, the technical and economic study of the economic justification of this connection should be completed by the start of next month. However, in the course of the drafting of that document a problem was found to exist about defining certain operational parameters, above all from the viewpoint of the long-range planning of reciprocal exchanges. Equally problematical are the effects of the increased "reliability" of the system and the cost of various damages to the economy, should the remaining connections be broken, which would cut us off entirely....

### Justification

However, this new connection from Vrutoc to Burrel is, above all, of interest to the Republic, for the Albanian side is linked to the Podgorica and Kosovo systems and, to the south, to the Greek power system. Under conditions of a normal exchange, taking into consideration a possible threat of breakdowns, the Republic could survive without said Western power corridor. However, bearing in mind that we are living in uncertain times, it would be much more rational to adopt a system the implementation of which would be of interest to both sides!

The cost of the 90-km connection has still not been entirely determined. However, the power utility personnel believe that it must be developed now, the more so since Macedonia will pay for one-half of the track, which is located exclusively on our territory, whereas our Western neighbor will be concerned with its own area. The construction of such projects is relatively fast, so that if the technical and economic analysis is accepted by both sides, the project could be completed within one year.

As to establishing a connection with Bulgaria, in addition to the existing 110-kilovolt power line linking Strumica with Petrich, as of next month discussions will be initiated for a power line handling a limited exchange, the so-called insular line linking Kriva Palanka with Kyustendil. As Macedonia points out, at the same time talks will be initiated for a new connection from Stip to Blagoevgrad for a 400-kilovolt power connection, which is a prerequisite for parallel work of the two systems and is of interest to both the Macedonian and Bulgarian sides. For so far, the old Bulgarian power system did not make possible any connection with the Western European system or, even less so, made any parallel work possible. Bearing in mind that the need for cooperation is unavoidable, the initiative has been adopted for readaptation and further construction, thus making parallel work possible. This will make not only increased reliability but also unobstructed exchange of power possible, something that, in an area such as the Balkans, is more than necessary.

### Natural Gas Project Funding, Benefits Discussed

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Macedonian 23 Jan 93 p 14

[Report by Saso Novevski: "Fighting Pollution With Natural Gas"]

[Text] *To our state, gasification is—both ecologically and from the energy viewpoint—a much more useful and profitable investment. Both Makpetrol, the investor, and Gaseksport, the Russian supply company, claim that the entire project will be completed in 27 months, after which the initially agreed-upon amounts of natural gas will be delivered. In Skopje alone, this new energy source will replace 160,000 metric tons of fuel oil, and sulfur dioxide pollution will be reduced by a factor of 150!*

Finally, things are under way. After two decades of talks, postponements, and hesitations, and studies, elaborations, and plans, the start for gasification has been decided. This will be Macedonia's investment of the century, providing present and future generations with much-improved future energy and ecological conditions, compared to the present. That is why in the immediate future the epicenter of the most important economic activities in Macedonia will be the Karadzina Cesma site in the Kumanovo area, where installation work has been started for the first 5 km of the main gas pipeline, to be followed by work along the entire track. The pipes, which

will be laid over a length of 100 km, from Deve Bair, which is on the Macedonian-Bulgarian border, to Skopje, in the first phase of the gasification project, will bring this wealth known as natural gas. As a result of this, the Republic will benefit a great deal from gasification. A new era will begin with the use of alternative energy resources that have long been used by the developed European countries.

#### **Macedonian-Russian Collaboration**

Unlike projects involving many individuals or even entire institutions, it could be claimed that no more than a few stubborn optimists in the Makpetrol Gasification Sector, at that time totally anonymous, assumed the entire burden and, finally, were able to complete the detailed Ga-Ma 800 Project. Without them and, naturally, without the interest of the Russian partners to increase the number of countries using Russian natural gas, probably for quite some time in the future nothing would have been achieved in the area of gasification. Now, however, many of the existing problems have been solved and, what is most important, gasification has entered the stage of practical implementation in our country as well.

At the ceremony marking the initiation of the laying of the main gas pipeline, both Makpetrol, the investor, and Gaseksport, the Russian partner from Moscow, set a deadline of 27 months to complete the gasification project. But what will actually have to be accomplished within that period of time, so that at the start of 1996 natural gas may begin to be used by our industrial capacities?

First, in order to ensure the implementation of the transit international gas pipeline that starts in Russia and crosses Ukraine, Romania, and Bulgaria, and also goes through Turkey and Greece, at the expense of the Russian partners, from Stanke Dimitrov to our border, which is about 60 km distant, Bulgargas will have to lay a pipe so that linkage with our main pipeline can be achieved. Such linkage will be completed, most likely, very quickly. Meanwhile, from Deve Bair on the Macedonian-Bulgarian border, to Skopje, the task of carrying the natural gas through the pipelines will be mainly the responsibility of Gaseksport. The practical help which is being provided by the Russian partner in this joint project will be a commitment by Gaseksport for the duration of the project and, subsequently as well, to provide the specialized mechanized facilities for laying the pipelines and the specialized team of about 100 people who have substantially greater practical experience in developing such systems throughout the world.

Following the completion of this main pipeline which, in its first phase, will pass through the Kriva Palanka, Kratovo, Kumanovo, and Skopje opstinas, a particularly important project will be that of laying the city gas pipes and terminals and the adaptation of plant industrial capacities that will convert to natural gas. In that stage of the work, in addition to the expertise of Gaseksport,

opportunities are expected for the inclusion of our own urban construction workers and some of our specialized enterprises that will participate in part of the project with their equipment and personnel.

As we know, the contract which was signed with the Soviet partners is for an initial delivery of 200 million cubic meters of gas annually. Subsequently, in the next 10 to 15 years, the volume will be increased steadily, until it reaches 800 million cubic meters of natural gas, after the second stage of the development of gasification, at which point this energy source will be made available to the households at large. These are the projections, and the assertion given by the Russian side is that its deposits have natural gas reserves for the next 50 years, and that, meanwhile, the remaining long-range programs for finding new deposits will be implemented.

#### **Multiple Advantages**

Russian natural gas, which Macedonia will begin to use immediately following the completion of the pipeline system, in itself provides tremendous advantages derived from the use of this beneficial and extremely useful fuel. Its use will be particularly important to our economy, for natural gas will become one of the key elements in converting the unfavorable structure of the Macedonian economy that is a highly inefficient user of energy of which our domestic resources are in short supply. Other economic advantages exist as well, for receiving an initial amount of some 200 million cubic meters of gas alone will immediately replace as much as 160,000 tons of fuel oil. This is particularly important, for it will also redirect the economic facilities from the use of petroleum derivatives to natural gas in this Republic that is always short of imported liquid fuels. This will be of tremendous importance not only in ensuring the long-term resolution of the petroleum crisis but also of having a very great impact on the end cost of our output, which will become more competitive and enjoy greater demand.

The ecological effects of gasification, considering our maximally disadvantageous pollution conditions, will be tremendous. Actually, this is confirmed by the entire practical experience in the use of natural gas acquired not only by the former Yugoslav republics that have long been linked with gas pipeline systems, but also of all other countries as well. Most indicative of all is the case of Sarajevo, where air pollution that existed prior and after the installation of gasification offers the best proof of the advantages. When gasification in Sarajevo did not exist, air pollution in that city had reached maximal levels. The samples taken at that time indicated that in the air over the city smoke and sulfur dioxide alone were released, respectively, in amounts of 213 and 129 tons per square kilometer. After natural gas was installed in Sarajevo, which was between 1985 and 1986, air pollution dropped substantially. The measurements indicated that the released quantities of such damaging substances in the air dropped to 16 and 18 tons, respectively.

On the basis of that example, the effect in Skopje alone, which is being strangled by smoke and toxic substances, could be immediately illustrated with figures. According to the experts, replacing petroleum and its derivatives with natural gas would reduce the presence of sulfur dioxide in the air over Skopje by as much as a factor of 150-200! All this can be realistically expected once the natural gas is here, for the planned industrial capacities for use of natural gas, such as the Zelezarnica, Cementarnica, OHIS, Alkaloid, Toplifikacija, Gazela, and other enterprises will no longer require the use of those same 160,000 tons of fuel oil annually, which is now being consumed, for this amount will be replaced by Russian natural gas.

This is the most important feature pertaining to the ecological side of the development of gasification in

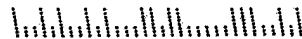
Macedonia. However, although the practical implementation of the project began officially several days ago, it cannot be said that the financial aspect of this significant Macedonian investment has already been resolved. Obviously, this issue must not be delayed, for it could lead to the loss of already established trust. This means that in order to settle the financial aspect of this entire investment that will cost about \$60 million, the still owed \$34 million must be found. It is likely that Makpetrol and Moscow's Gaseksport may be able to procure such funds, but only by setting up a mixed company that will manage the gas pipeline system in the future. If the state is unwilling to participate and considers that this is a project of broader public interest, we have only little time to think about it and find the funds for this major and important project.

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